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The Future of Indian Industries I.

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Economic history is the record of man's activities by which he has subdued nature in order to make it serviceable to his moral and material welfare. John Stuart Mill is reported to have said that "Of the features which characterize the progressive economical movement of civilized nations, that which first excites attention is the perpetual and, so far as human foresight can extend, the unlimited growth of man's power over nature."* Man has conquered nature by gradual and successive steps, so that the whole history of his conquest can be divided into various stages. Professor Ely classifies the various stages of economic development as follows: The hunting and fishing stage; the pastoral stage; the agricultural stage; the handicraft stage; and the industrial stage.† Several other writers classify such stages differently,‡ but all of them share the common belief of the possibility of dividing economic history into various periods. Their classifications, therefore, differ only according to their respective premises upon which they pursue their studies.

*Quoted by MacGregor, D. H., *The Evolution of Industry*, p. 10.

†Ely, R. T., *Evolution of Industrial Society*, p. 26.

‡*List's classification corresponds very nearly to* that of Ely, for according to him the different stages of economic development are: The savage state; the pastoral state; the agricultural state; the agricultural and manufacturing state; and the agricultural, manufacturing and commercial state (*National System of Political Economy*, Matile's Edition p. 72). Bucher gives three stages: The stage of independent economy; the stage of town economy; and the stage of national economy. (Quoted by Ely, *op. cit.*, pp. 66-67.) Professor Giddings divides all economies into three classes: the organic, the instinctive and the rational—rational being further divided into (1) commercial and (2) business economics. (Ely, *op. cit.*, p. 60.)

No classification of economic development can be universally applied to all countries of the world, for the development has not taken the same course everywhere. There are some countries which are still in the early stages of economic development, while others have reached the highest stage. Taking the whole world as a unit, however, one can say that some parts of it have developed more rapidly than the others and consequently are at different stages of development.

The greatest landmark in the economic development of the world has been the Industrial Revolution, ushered in during the latter half of the eighteenth century. Although the application of machines to the productive process was not absolutely *unknown before the Industrial Revolution*, the motive power has played such a phenomenal part in production since then that it has won for itself the name of "the machine-age".* The Industrial Revolution has given rise to striking results, which have revolutionized the social and economic structure of the world.

One of the most important results of the Industrial Revolution is the marvellous improvement in the means of transportation and communication. "The new methods of transport afforded by specially equipped steamships have enabled such countries as the United States of America, Egypt and India to send large quantities of raw cotton to Europe; Argentina to transmit huge supplies of chilled and frozen beef; Australia and New Zealand to forward large consignments of wool and mutton; United States and Canada to send their surplus wheat productions

*Hobson, J. A., *The Evolution of Modern Capitalism*, p. 71.

to make up for the deficiencies in the European food supplies."* The rapidity with which transportation can be carried on has welded the whole world together and ' has in almost call cases raised the size of the market ".

The division of labour on a world-wide scale has followed as a corollary to the development of the means of transportation. Different parts of the world specialize in the production of goods for which they are best fitted and exchange their products with the products of other parts. The production within a country is also carried on on the basis of specialization: each section of the country produces the goods which give it the greatest advantage. Specialization has brought with it interdependence, so that not only the various countries (or the various parts of the same country) are dependent upon the products of other countries (or the products of other parts of the same country), but also various classes of society are dependent upon the products of other classes of society. "Let the class that devotes itself to transportation, for example, cease working and the disastrous and far-reaching consequences to the rest of the community can scarcely be imagined."†

Improved means of transportation, world-wide division of labour, specialization, and interdependence being the chief results of the Industrial Revolution, large-scale production should be the next logical step. And this has proved to be the case. "A salient feature of the development of modern industry," says Mr. Shields, "has been the tendency towards mass production and the standardization of the various parts of the manufactured product.....In the twentieth century the Ford motor-car is one of the best examples of standard mass production."‡ Practically all manufactured articles are produced on mass production basis, and this tendency has necessitated the creation of joint-stock enterprises as it is difficult for a single *entrepreneur* to operate his concern on a large enough scale to realize the economies of mass production. Combinations and trusts have also been formed to achieve this end.

The industrialization of the world, in short, has resulted in the creation of a world-market for the products of industry. With the exception of tariff obstacles, the products of all countries compete on an equal basis in this vast market. Only those countries therefore, which can produce their articles most efficiently and place them on the market at the cheapest price, can successfully compete and reap the advantage of the world market. The countries that incur high costs of production and consequently have to sell their products at higher prices, are driven out of the market and forced to devote their productive energies to less remunerative pursuits.

INEVITABILITY OF INDIA'S INDUSTRIALIZATION

The application of economic laws is universal to all countries. India, therefore, can be no exception to the rule; if she wishes to sell her manufactured goods in the world market she must produce them at competitive prices; otherwise she will be undersold even in her own market. In order to manufacture her goods at the least possible cost she must utilize the same devices as her rivals employ. In other words, if India wishes to compete in the world market, she must adopt mass production under the modern industrial system. If she insists on primitive methods of doing things it will be tantamount to inviting self-destruction at the hands of her rivals, for she will then be forced to spend her productive energies on agricultural and less remunerative manufactures as she does at the present time. The consequences which follow such a situation are well portrayed in List's statement:

"........ The absence of manufacturing industry in a nation long civilized, the productive powers of which cannot be sensibly excited by the export of raw materials and agricultural products, and by the importation of foreign manufactures, exposes it to numerous and serious inconveniences.

"The agriculture of such a country must necessarily suffer, for the surplus population which, in a great manufacturing development, finds means of living in factories and creates a large demand for agricultural products thus affording substantial profits to agriculture, will be reduced to the labour of the fields, and thence will follow a sub-division of farms and a small culture, both as prejudicial to the power and the civilization of a country as to its wealth."*

This statement of List is applicable, in its entirety, to the present-day India; the extraordinary unproportional pressure of population on land, the fragmentation of land-holdings, and the wretched poverty of her masses

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*Shields, B. F., *The Evolution of Industrial Organization*, p. 23.

†Ely, R. T., *op. cit.*, p. 9.

‡Shields, B. F., *op. cit.*, p. 35.

*List, F., *National System of Political Economy*, Matile's Edition, p. 81.

bear witness to it. If the introduction of industrialization on modern lines is further delayed, the results will be still more disastrous.

Happily, the need for India's industrialization is being keenly felt by the intelligent public opinion of the country. Among other factors, it was due to the pressure brought about by the Indian public opinion that in 1916 the Government of India felt it necessary to appoint a Commission "instructed to examine and report upon the possibilities of further industrial development in India and to submit its recommendations" to the Government.

As a result of their exhaustive enquiry, the Commission concluded that the Indian "industrial system is unevenly, and in most cases inadequately, developed" and that "A powerful and well-directed stimulus is needed to start the economic development of India along the path of progress. Such a stimulus can only be supplied by an organized system of technical, financial and administrative assistance." The Commission also recorded that "we have been strongly impressed by the earnest demand throughout India for economic progress by the growing realization of the dangers to which industrial unpreparedness exposes a nation. We feel sure that the strongest support will be forthcoming from the public generally, and from Indian capitalists and industrialists in particular, to any well-considered scheme for industrial progress which Government may see fit to adopt....."*

It is quite natural that the intelligent Indian public should feel very strongly in favour of the industrial development of the country, because the industrialization of India presents it the sovereign remedy for most of the glaring ills with which she is now afflicted. The basic cause of India's backwardness in intellectual and material progress is the dire poverty of her masses, and the development of national industries will unquestionably aid to a considerable extent in solving this problem. The all-round importance of a forward industrial policy on the part of the Government is well emphasized by the authors of the *Mont gu-Chelmsford Report*, who observe: "On all grounds, a forward policy in industrial development is urgently called for: not merely to give *India economic stability*, but in order to satisfy the aspirations of her people who desire to see her stand before the world as a well-poised up-to-date country; in order to provide an outlet for the energies of her young men who are otherwise drawn exclusively to government service or to a few over-stocked professions: in order that money now lying unproductive may be applied to the benefit of the whole community; and in order that the too speculative and literary tendencies of Indian thought may be bent to more practical ends, and the people may be better qualified to shoulder the new responsibilities which the new condition will lay upon them."*

There is hardly any impartial observer who fails to see the keen demand on the part of the Indian people for the industrialization of the country. And the significance of such a demand becomes all the more important when we realize that India is adequately equipped to adopt a policy of rapid industrial development. But we are sorry to note that some of the English economists see no valid reason behind India's demand for industrial development. In criticizing the "current opinion in India, where a considerable part of the educated classes seems to desire with patriotic fervour the industrialization of their country and the greatest possible development of manufacture," Mr. J. W. Keynes observes: "In my opinion, such a change is not, in the future which one can see, either desirable or likely. It is an unfortunate consequence of the English connection that industrialism should present itself to Indians as the royal road to prosperity and to a dignified position among nations........and if regard be had to climatic conditions, and to the aptitudes and habits of her people, it seems hard to believe that India will not obtain more wealth by obtaining from the West, in exchange for her raw products, most of those commodities which she now obtains in this manner, than by diverting her capital and her peasants from the fields of the country to Bombay in order to make them herself."†

Mr. Keynes, therefore, advises India to maintain the *st tus quo* with respect to her economic development and to continue to devote her productive powers—capital and labour—to the production of raw materials

**Indian Industrial Commission Report*, pp. 290-91.

*Quoted by Pillai, P. P., *Economic Conditions in India*, p. 64.

†Quoted by Pillai, P. P., *op. cit.*, pp. 52-53. Even Dr. Marshall did not sanction the Government aid to the development of the Indian industries. (See Pigou, A. C., *Memorials of Alfred Marshall*, pp. 456-58 and 472-74.)

rather than to divert them to industrial pursuits. This line of reasoning can be justified only if we grant that Mr. Keynes is looking at the problem from a purely British point of view, because then, India being a vast market for British manufactured goods and supplier of raw materials to British industry, his argument would appear logical. However, if Indian interests are paramount in such considerations, the futility of his argument is quite obvious. *It is not as hard for us as it is for Mr. Keynes to see the simple truth* that "India will not obtain more wealth by obtaining from the West, in exchange for her raw products, most of the commodities which she now obtains in this manner"* than by manufacturing such wares at home. It is too elementary an economic fact that a country obtains more wealth by directing her productive forces toward the production of manufactured goods, if she can advantageously do so, than by diverting her capital and labour to agriculture. And there is no doubt that, with her rich natural resources, India can more profitably take to manufacturing than being contented with agriculture. The argument of the English economist, therefore, seems to be too artificial to repudiate this simple economic law and to state it contrariwise. Moreover, India has had the painful experience of dependence on foreign countries for manufactured goods, which has impoverished her year after year and decade after decade.

With respect to Mr. Keynes' reference to the climatic conditions, the aptitudes and habits of the people, we believe that although India is a tropical country arrangements can easily be made for the operation of industrial plants by introducing the shift system, *whereby factories could be operated during* the cool part of the day. In cases of extreme heat, with the aid of modern science the creation of an artificially cool atmosphere in factories should not prove very expensive. And the aptitudes and habits of a people change with changing conditions: Indian people are no exception to this rule. Given an industrial atmosphere, there is no doubt that the Indian mind will work along the same lines as the Western mind.

In view of the tremendous possibilities of industrial development in India and the insistent demand of the people for such a move, one can hardly contest the advisability of rapid industrialization of the country. We must repeat that India's most crying need to-day is the development of her industries and that every possible effort should be made to accelerate this development. If India wishes to compete in the world market of manufactured goods, she can no longer do so by adhering to the handicraft methods of production: with the assistance of modern machinery, she must produce on a mass production basis, and she must use all devices for securing the economies and the low costs of production which are practised in the industrial countries of the world. If she wishes to get rid of her poverty and take her respective place in the family of nations, industrialization is her sovereign remedy: there is no other way out of the difficulties from which she is so sorely suffering at present. India's industrial development, in short, appears to be an inevitable necessity if all-round moral and material progress of her people is desired.

PROTECTION OF INDIAN INDUSTRIES.

When one thinks of the development of India's industries, one is immediately confronted with a host of questions: Can Indian industries face the competition of highly developed industries of other countries? If not, what measures should she adopt to ensure the healthy growth of her industries? Is it advisable to invite the sacrifice involved in such measures?

The intelligent public opinion in India has realized for a long time that without State aid the Indian industries have no chance for development. It has, therefore, always demanded that a rightly conceived policy of protection should be adopted for the development of indigenous industries. But the Government of India, guided by the manufacturing and commercial interests of Great Britain, has felt reluctant to grant such demands.

At the beginning of the present century, however, the protectionist sentiment of the Indian people sought another channel for its expression, and a programme known as the *Swadeshi* movement was launched. The purpose of the *Swadeshi* movement was to urge the people to co-operate voluntarily in encouraging the domestic industries by purchasing home-made goods whenever possible. The real significance of the movement can be appreciated by reading a few statements

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*"When an industrial product is exchanged for a primary, and especially an agricultural product, then, owing to the superior productivity of industry as compared with agriculture, *the product of the labour of an industrial workman is almost always exchanged for the product of the labour of several agricultural workmen.*" (Manoilesco, M., *The Theory of Protection and International Trade*, p. vi.)

of Indian leaders. Mr. R. C. Dutt, one of the most distinguished writers on Indian economics, said in his presidential address to the Indian Industrial Conference held at Benares in 1905 that "The *Swadeshi* movement is one which all nations on earth are seeking to adopt in the present day. Mr. Chamberlain is seeking to adopt it by a system of protection. Mr. Balfour seeks to adopt it by a scheme of retaliation. France, Germany, and the United States and all the British colonies adopt it by building up a wall of prohibitive duties. We have no control over our fiscal legislation: and we adopt the *Swadeshi* scheme, therefore, by a laudable resolution to use our home manufactures, as far as practicable, in preference to foreign manufactures. If we succeed in this noble endeavour, we shall present to the world an instance unparalleled in the history of modern times of a nation protecting its manufactures and industries without protective duties."*

While presiding over the annual session of the Indian National Congress in 1906, Mr. Tilak, the leader of the extremists, referred to the *Swadeshi* movement and said that 'Since this Government is not going to stop the drain by imposing a protective duty, it becomes imperatively necessary to adopt a measure by which we can do ourselves what the Government should have done long ago."† Mr. Gokhale, one of the greatest public men of modern India, said in 1907: "In the course of time, the quality of *Swadeshi* articles is bound to improve, and their cost of production to become less and less. And it is no merit if you buy them when they can hold their own against foreign articles in quality or price. It is by ensuring the consumption of indigenous articles in their early stage, when their quality is inferior or their price is higher, or when they labour under both these disadvantages that we can do for our industries what Protectionist Governments have done for theirs by means of State protection. Those, therefore, who go about and preach to the people that they should use, as far as possible, *Swadeshi* articles only, are engaged in sacred work and I say to them—go forward boldly and preach your Gospel enthusiastically."‡

These opinions show the attitude of public men in India concerning protection during the early years of the present century. It is true that, if India possessed fiscal autonomy, she would have adopted a strong protectionist policy in order to ensure the development of her industries. In answer to the question as to why India was refused the protectionist policy, Professor Lees-Smith observes: "Great Britain has always maintained, as her honour demanded, that she would never subordinate the good of India to the selfish interests of British manufacturers. She has been able to force free trade upon India because she has argued, with complete consistency, that she believed that it was for India's good and that she applied the same principles to herself."* This line of reasoning might appear convincing to British thinkers, but the logic of facts can hardly substantiate it.

The conditions, however, have undergone a *slight change*† at present and seem to favour the adoption of a suitable policy of protection for the development of Indian industries. The Fiscal Commission, which was appointed by the Government of India in *1921*, has recommended that a policy of 'discriminating protection" be adopted in order to develop indigenous industries. The Commission has laid down three conditions which must be fulfilled before an industry may successfully apply for State aid. These conditions are: "(1) The industry must be one possessing natural advantages such as an abundant supply of raw material, cheap power, a sufficient supply of labour, or a large home market ...... (2) The industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country...... (3) The industry must be one which will eventually be able to face world competition without protection."‡ It was also recommended that a Tariff Board be created which would evaluate the claims of industries applying for protection. All these recommendations have been accepted by the Government of India and some advance toward protective policy has already been made.

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*Quoted by Lees-Smith, H. B., *India and the Tariff Problem*, pp. 51-52.

†*Ibid.*, p. 54.

‡*Speeches of G. K. Gokhale*, Third Edition, p. 973.

*Lees-Smith, *op. cit.*, p. 97.

†The term *slight change* is advisedly used because *a complete fiscal autonomy*, which has not yet been granted, is absolutely necessary before India can execute an effective policy in the interests of her people.

‡Quoted in the *Report of Tariff Board—Steel Industry*, 1924, pp. 10-11.

The Problem of Business Cycles.

By Professor Gustav Cassel.

The present world crisis is, in fact, a crisis also for the entire theory of business cycles, *a crisis which makes it especially important* to devote careful consideration to the real import and possibilities of business cycle researches. The present moment is in this respect a particularly opportune one for science to enter upon a self-examination.

If the business cycle theory simply takes upon itself to find a general explanation of the fact that economic development adopts *an undulating movement, then such a theory* is superfluous. There exists no problem of business cycles in this sense. Economic development is necessarily either a uniform or an undulating movement, oscillating round about an average uniformity. A complete uniformity never exists in reality. Uniformly progressive economy is a theoretical construction which is, however, indispensable for the study of the dynamics of the development proper. We can, on the whole, conceive the variability of economic development only as deviations from a uniform development. Thus economic progress must primarily be accepted as being uniform. We can calculate an average percentage of increase in the progress and we can reproduce the uniform development by a graph which rises in keeping with this constant percentage. The actual development must then be represented by a wave movement alternately rising above and falling below the curve of the uniform progress. *This necessity is already inherent in the idea* of an average development.

The immediate consequence of this is that it is hopeless to gain a proper idea of the economic wave movement unless one has first properly understood the mechanics of the uniform progress. The theoretical analysis of the economic phenomena in a uniformly progressive economy therefore is of fundamental importance to every study of business cycles. A person who has a hazy or incorrect idea of those phenomena cannot possibly evolve a true theory of business cycles. Hence we must eliminate beforehand from the innumerable masses of so-called business cycle theories all such as obviously emanate from erroneous conceptions of the phenomena in a uniformly progressive economy. By doing so we should at once clear the entire science from a great deal of ambiguity.

While the analysis of the uniformly progressive economy must of necessity continue to be an essentially theoretical task, the study of *the deviations from the uniform development* is just as necessarily in the first place referred to observations of reality, thus to an inductive process. Such a study can have two different objectives in view. On the one hand a special wave movement can be taken for observation, its behaviour described and an attempt made to discover the driving forces in this specific movement. On the other hand a whole *series of waves can be observed and examined* as to whether the consecutive waves show similarities or certain characteristic features. It may perhaps be possible to discover behind this undulatory movement a certain repetition of a definite economic process. The first thing to be done then is to establish the characteristic features of this process and thereafter determine to what degree those features may be taken to be due to a deeper causal nexus.

If we once succeed in making clear the nature of the essential driving forces in the economic dynamics actually existing, we can also judge in what degree the oscillating movement in its actual form is a necessity. It is evident that such a necessity can only exist if and to the extent it is determined by permanent causes. It is quite impermissible, on the other hand, *a priori* to assume a necessity of the continuation of the oscillation in the forms in which it has hitherto been observed. *In such circumstances it is clear* that no regularity and, still more so, no periodicity of the wave movement may be assumed in advance. Aprioristic assumption to that effect has been very obstructive to the development of a scientific analysis of business cycles. In regard to the question of the regularity of such cycles it must always be borne in mind that each specific one, collaterally with the characteristics of the entire actual movement, also exhibits its peculiar features and is affected by its specific factors.

What has been said makes clear how very restricted is the possibility of making a prognosis of the economic development. In fact we can only say that, if such and such forces continue to operate, certain consequences must arise which may, however, be considerably altered by factors making themselves felt in that special instance. If we are able to control any of the driving forces

of the wave movement, every prognosis will also be governed by the circumstance whether and in which direction this possibility of control will be utilized. A forecast of the economic development then ceases to be merely a theoretic-statistical question, becomes a question of a correct, psychological judgment of the probable mode of action of leading personalities, and is, taking it all round, possible only in a very limited manner. This is quite especially the case if the development, as in the sphere of the monetary system, is decided by a small number of leaders of the *central banks and financial politicians* in the foremost countries. To prophesy how those persons will act, or what will be the final result of their various endeavours, is clearly a task which differs considerably from a business cycle theory in the *ordinary sense* of this term.

All those reservations are of very great importance over against the often exaggerated claims which the mathematical business cycle theory usually produces. The mathematical analysis of given economic development curves is *by itself no definitive evidence*. Every *actual development* can be represented by a mathematical graph, and that with all wished for exactitude. The mathematical form need not therefore be an expression of any necessity in the course of the development and does not *by itself serve as a foundation for the supposition* that the development proper will follow the mathematical formula. Every continuation can be included in another mathematical formula. Only if an economic development is in accord with a particularly simple mathematical formula can such agreement be said to indicate a definite causal nexus, which even then can be established only by an economic analysis.

It should be especially observed that every economic wave movement can be taken to be a sum total of different mathematical wave *movements. These latter* can also include every arbitrary wave movement. This obviously implies that the mathematical analysis can never by itself afford conclusive evidence of the existence of a special economic wave movement *as an integral part of an actually* given development. The fact that such a movement is included in the general development can only be proved by means of an economic analysis. An economic connection can obviously only be established by means of an economic explanation, thus by an economic theory. The use of a mathematical analysis lies in the possibility which it affords of testing the result of the economic theory and of establishing its exact range and thereby also the deviation of the actual course from the theory, at times also in the suggestions the analysis may afford for new economic *investigations*. It also comprises the significance *of the mathematical analysis* in establishing the connection between two given curves of development. An economic theory can alone make clear whether there is a causal nexus between given courses of development and what the nature of this connection is. The mathematical analysis can offer confirmation of *such a theory* and *by establishing* deviations from the anticipated connection give an indication of other contributory causes.

If we want to determine characteristic *features of the* business cycle we must consider the cycles for an approximately uniform period, thus for a period which is characterized by a certain continuity in the economic development. Such a period is that from 1870 to the great war. The business cycles for that period are, as we know, above all a wave movement in the *construction of fixed capital*. Behind *that* movement *lies a reciprocal action* between supply and demand for the available capital, an action which finds expression especially in changes in the rates of interest. The crises are caused by an erroneous economic *calculation of quite a special nature*, *viz.*, an over-estimation of the savings which will be available for taking over the produced fixed capital. It is of importance in this connection that the process by which savings are accumulated and invested be made clear.

In doing so, however, one comes up against another aspect of the business cycle problem, *viz.*, the monetary. It is an important feature of the cycles in the period under consideration that the wave movements are connected with marked changes in the general price level, *i.e.*, in the money value. Those changes are a *monetary phenomenon. The question* then arises as to whether it would be possible to prevent those changes in the money value by means of a fitting monetary policy. Such a stabilization of the monetary value must, *of course*, affect the business cycle considerably. Some researchers are inclined to take the view that the business cycle would, on the whole, be smoothed out in *the event of* such a stabilization. The scanty savings would not then be made up, in a rising wave movement, by a special expansion of the supply of means of payment. Nor, it is considered, could any exaggerated *construction of*

fixed capital be brought about and the business cycle movement would practically come to a stop. This conclusion goes perhaps a little too far. It is certain, however, that in the event of stable monetary value the business cycle movement would lose a great deal of its momentum. Economic life would nevertheless continue to be variable, this feature appearing in a certain undulating movement. What such a movement would be like is, however, a question which can hardly be decided theoretically. A final answer can only be given to this question when we have passed through a longer period of stable monetary value.

The study of the features characteristic of the business cycle movement is, it is true, very important and will give us an increasingly deeper insight into the phenomena and causal connections of economic life. We must never forget, however, that every specific business cycle has its specific driving forces which also give it its special character. During the preceding century railway building played the leading part in the business cycles. In our century the evolution of the electric industry, the production of oil and oil-engines and, finally, also the motor-car industry together with the extraordinary development of road-making connected with it, have been of the most outstanding significance as driving forces in the vicissitudes of trade. This observation alone ought to be sufficient to clear up exaggerated ideas of a regularity or necessary periodicity in the business cycle. A given business cycle movement can never be expected to continue with any certainty. Each new wave will show its special features. Whether apart from that it will indicate the characteristics of an earlier cycle will always depend on the degree in which previously acting causes continue to operate.

This reminder is of especial importance in the present economic situation. The war and the upheaval of the entire monetary system imply an absolute discontinuity in the economic development, and every attempt to explain the economic development in the post-war period as a mechanical continuation of that of the pre-war period must be dismissed as being scientifically untenable. There have been during the post-war period masses of factors which must have had a very disturbing influence upon the stability of economic life. It is nevertheless obvious that the economic development of the post-war period has, on the whole, been governed by monetary factors. The most important phenomenon during recent years is the deflation by which the monetary value in the "gold" countries has been increased by 50 per cent. The corresponding fall in prices is the most significant cause in a chain of other disturbances, such as, for example, the very marked increase in protectionism, the introduction of currency control of different kinds and, above all, the wide prevalence of insolvency. In such circumstances the study of the present economic development must place the deflation process in the foreground and analyse the causes and effects of this process, and in that way, endeavour to arrive at something like a tangible explanation which will at least help to throw light on the unparallelled economic catastrophe which we are now experiencing.

The belief which is very generally entertained in the necessity of a definite, regular business cycle movement has proved very injurious to the investigation into the nature of the present disturbances. Obstacles have been placed in the path of an unprejudiced investigation, and the will to take active intervention so as to remove the fundamental errors in economic politics has been seriously weakened. Every intervention with a view to stopping deflation and leading the price movement in an opposite direction has been called artificial interference with "the natural development of business cycles". The dogmatic doctrine inherited in this manner from pre-war times has constituted a serious danger to scientific study and to practical politics alike.

Our attention must now for a long time onwards be devoted towards a complete analysis of the upheaval now in progress. It is only when the present complete absence of stability in the monetary system has once been overcome that a more normal development may be expected in economic life. But even then a long time must pass before we can survey a period sufficiently long to enable us to obtain an idea of the nature of the new economic dynamics. There are many signs that the latter will differ very considerably from that of the pre-war days.

Motorists in Helsingfors believe that it is better to use the brakes than the horn. For more than a year the Finnish capital has been practically hornless. Cars slow down for pedestrians and cross traffic; at night drivers signal their intentions by raising or lowering their lights. During the experimental period the number of accidents has not increased, and there has been a welcome relief.

The Present Economic Impasse.

By J. B. Williams, M.A.

The world is faced to-day with a crisis, economic and social, which is unprecedented in the annals of the world's history. Nations have, at various intervals of time, passed through booms and depressions but not with such repercussions as we find in the post-war times. The riddle of human relationships is becoming too difficult to lend itself to any practical solution. In every quarter, the question is asked, "whither goeth ye individual and nation ?" The needle of economic barometer remains firmly set at stormy. The world lost its economic equilibrium. It is faced with universal bankruptcy. Social order, which is doubtless dependent to-day on economic order, stands on the verge of a deep precipice. "There is no freedom here in the western sense" was the remark of one. "Well, at least they (nations) are free from the illusion of democracy" was the response of the other.

To an ordinary man who looks on current History with an untrained eye, the world's order is sound and safe. He is not alive to the dangers that are threatening the world and the forces that are operating. Many are disposed to think that they are safe in this age of machine, which is performing feats which rise above comparison with those of his brother in the past and creating conditions for adequate satisfaction of human needs, unparallelled in economic history of the previous ages. We are in an age of 'Plenty'. We produce more than what is required. We heard some time back that Brazil threw a thousand million lbs. of good coffee into ocean to stabilize prices. The tragedy of over-production—agricultural and industrial—is marked in various parts of the world to-day. The prices have fallen tremendously in value. Wages declined and hours of work in factories and other establishments have been reduced. Besides, on the other side, social distress is spread like wild disease causing terrible crash of individuals and nations. We are faced, therefore, with a dilemma—Plenty all round and Poverty all round. The two needles are set at one point. The nations have lost their financial balance. The prime reason for this phenomenal economic distress is not far to seek. The world to-day is ruled not by princes and statesmen, but by businessmen and bankers, on whose financial stability and outlook, the destiny of the world's economic order is dependent. The last two years have been marked by such world-shaking events, such as the collapse of banks, the dramatic fall of trade and commerce and the suicides of 'business princes'. The condition of Germany in Europe has been pathetic. The humiliation of 'mighty dollar' is tragic. The suicide of Krueger, pioneer of Swedish Match Industry of international repute, with its branches in many parts of the world, has its reaction on labour and capital. It left many houses destitute and helpless. While seeing a cartoon in one of the issues of 'Review of Reviews' I came across a description of conversation between a child and a stranger. The child seemed to have been questioned "Is it the war that reduced you to this state, my child ?" "No sir, it's peace. Father has been playing with matches" (referring to the Krueger crash). Such a statement is true to the fact of existing conditions. While no men are marching to-day in uniforms, and no war-drums are beating a state of economic war is giong on throughout the entire world, and the consequences of it are what men are suffering in the form of the present depression. The United States passed, despite protests from 30 nations, the Howley Tariff Bill which steepened the protective barrier. The latter in retaliation began to put up tariff barriers against U.S. until what happened in this world is that a condition of economic war throughont the world existed. Every state (Russia claims to be an exception due to new Soviet Economy) in greater or less degree is faced with the problem of unemployment. The October figures of unemployment in Europe and the U.S. tell the story. The total unemployed in the U.S. by the end of October is 10,000,000, in France 257,193, in Britain 2,858,011, in Italy, 946,000, in Germany 5,100,000.

The economic discomposure of the world has its reaction on social order. Unemployment and poverty are the root cause of moral degeneration and crime. Order is over-run by license. In a period of two years, it is recorded that 2,000 children and adults have been kidnapped in U.S.A. for ransom by the underworld. Kidnapping has become a big money-crime. Lindberg Baby kidnapping is heart rending. The worse of it is the appeal made by Col. Lindberg for help to the underworld forces over the head of law

to act as go-between. One gangster in U.S.A. seemed to have remarked 'I overran Chicago and I shall overrun you'. A nefarious gangster was brought before a Chicago court of justice 28 times in 10 years and each time was let off without trial. A Judge in U.S.A. acquitted a person, accused of murder, on the ground that the murderer would fall on the witnesses. In London we hear there is an organized women gangster movement for pickpocketing. *The increase of violent crime in London* (proverbially known for order and discipline) is a matter which has caused some public concern in England. The foreign minister of Italy is right in warning the world the other day in a remarkable speech that the world is threatened with a bankruptcy of civilization.

Nationalism is the problem of the 20th century. Economic nationalism is at the root of the greatest slump the world has ever known. Nations are growing individualistic. Individuals, like nations, have lost confidence in each other. Briand made a *characteristic remark* 'Why should I invest 1,000 francs to receive perhaps 50 fr. a year and perhaps to lose my 1,000 ?' Nations like France and U.S.A. sterilized gold in their bank-vaults. Nations are trying to escape from the economic blizz by building higher walls of protection. England departed from its creed of Free Trade. United States, with its present high tariff and stricter immigration law, is growing individualistic. The policy of protection has placed the debtor nations like Germany, eastern parts of Europe in a position in which it is impossible for them to pay and at the same time require them to pay the debts. The financial condition of the debtors is such that the possible means by which they can repay their debt is through the export of their goods to the creditor nations. Is there any action more absurd than to lend money and to prevent the debtor from paying ? Are not the creditor nations short-*sighted ? Is not their attitude suicidal ?* In one of the numbers of the 'Review of Reviews' I saw a cartoon which pictured Germany as a patient with doctors all round. Doctors seemed to disagree, but one doctor seemed to have remarked to the other, 'But, surely, doctor, you realize for humanity's sake we *must keep him alive, just alive,* doctor Sam, only just alive.'

The world is an economic whole, subject to booms and depressions. One nation cannot prosper at the expense of another. Each nation cannot suffer alone, without affecting his brother. They are no longer self-supporting. They live on exchange of goods. They are knit by bonds of internationalism. The question is asked in every quarter 'Will prosperity come again ?' The answer to the question is plain, though difficult of application at the present time. The recovery of world's economic health rests on the restoration of credit and confidence and alleviation of protectionism. Economic co-operation of the world is the solution of the present economic and social impasse.

A number of interesting facts are made known in two pamphlets which form the vanguard of a new series to be issued by the Empire Marketing Board on the subject of the chief agricultural producers. It will come as a surprise to many people, for instance, to learn from "Dairy Produce" that, taking the world as a whole, milk is a more important contributor to the farmer's income than any *other single product, and that eggs probably* rank immediately after milk and before wheat and rice. We are also reminded that only Denmark exports as much as half its total production of eggs, and in the case of far-distant China egg and egg products occupy third place in its list of exports. In the pamphlet on "*Grain Crops*", *the information is given* that only about 16 per cent of the world's wheat is shipped either as grain or as flour and that the proportions of other grains are even smaller. Other striking facts revealed as a result of investigation are that the Empire is an importer of oats, barley, and maize—in the case of the last named to the extent of 2,000,000 tons, a third of the quantity required.

A London correspondent sums up the controversy about economy succinctly. He writes :—There is real danger that the present enthusiasm for economy may lead to *misguided action* in some cases. The object of economy is to prevent waste and to ensure that the natural resources of the country are used to the best advantage. It is true economy to refrain from wasting food or materials and in the national interest, but it is not in the national interest to dismiss the *gardener and put the money thereby saved* in a stocking. Thrift with the object of aggregating capital for further enterprise is to be commended, but hoarding that implies sterilization of capital is not.

Industrial Finance in India.

By Krishna Kumar Sharma, M.A., B.Com.,

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There is a general feeling in India that our industrial progress during the last fifty years is very meagre as compared with India's vast resources and the needs of her population. In 1928-29 the total value of the imported articles, mainly manufactured, came to Rs. 180 crores out of a total of Rs. 253 crores of imports: whereas the total value of mainly or wholly manufactured articles exported from India amounted to about 90 crores out of the total exports of Rs. 330 crores. The value of raw materials exported amounted to Rs. 170 crores and the value of raw materials imported amounted to Rs. 23 crores only. In view of these figures it must be said that the Industrial Commission truly depicted the position when it remarked, "India produces nearly all the raw materials necessary for the requirements of a modern community; *but is unable to manufacture many of the* articles and materials essential alike in times peace and war." The Famine Commission *of 1880* observed, "*At the root of much of the* poverty of the people of India and the risks to which they are exposed in seasons of scarcity lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population."

The policy of the Government of India up to the outbreak of the war was one of *laissez faire and the first attempt at a general* policy of industrial development was in the form of 'a very imperfect provision of technical and industrial education, and the collection and dissemination of commercial and industrial information.' This "policy of non-intervention of government and their attitude towards the industrial development of the country combined with instances of anomalies in the fiscal, railways and stores purchase policies till recently followed in the country has exposed the government to the charge of *open hostility towards the interests* of Indian industries prompted by the overriding considerations of advancing British interests."*

The Industrial *Commission of 1916-18* made certain proposals which depended upon the acceptance of two principles. Firstly, the Government must play an active part in the industrial development of the country and secondly, the Government could do so only when it was equipped with adequate administrative machinery and got reliable scientific and technical advice. According to the recommendations of the Commission, the Government help was to include provision of research, industrial and technical education, commerical and industrial intelligence, technical and financial help and the purchase of stores. The Montagu-Chelmsford Report of 1917 also emphasized that the Government must admit and shoulder its responsibility for furthering the industrial development of the country. In 1921 the Indian Fiscal Commission recommended a policy of 'discriminatory protection' and the creation of a Tariff Board. As a result of the action taken on the recommendations of the Tariff Board, the industries which have benefited most are cotton textiles, iron and steel and match. There is, however, *still a considerable amount of feeling among* the intelligentsia of India that the State, and particularly the Central Government, *is not taking as much interest as it ought to* in the development of India's industries.† This is evidenced by the belated effect given to the recommendations of the Tariff Board in many cases and by the fact that there has been no revision of the Railway Rates so far on the lines of the Report of the Industrial Commission. The latter had also recom*mended the appointment of an expert com*mittee at the earliest possible date to examine the possibilities of the establishment of industrial banks in India and this committee was appointed 10 years after the recommendation made by the Industrial Commission.

In marked contrast to the attitude of the State in India the Governments in foreign countries have helped industries to a great extent. The following statement of Prof. Taussig for American industries is noteworthy: "Rich natural resources, business skill, im*provements in transportation*, widespread training in applied science, abundant and manageable labour supply—these, perhaps, *suffice to account for the phenomena.* But would these forces have turned in this direction so strongly and unerringly, but for the shelter from *foreign competition*?"

In Japan there has been very rapid industrialization since 1868 as a result of the

* **Indian Banking Committee Report, Para. 325.**

† **Indian Banking Committee Report, Para. 331.**

active policy of the State. The contribution of manufactured goods of the Japanese export trade rose from 1.14 per cent in 1868 to 42.52 per cent in 1928 and the imports of manufactured goods fell from 60.57 per cent in 1868 to 15.16 per cent in 1928. At the beginning of her industrial career exports of raw materials were 26.27 per cent which fell to 4.17 per cent in 1928 and the imports of the same rose from 4.98 per cent to 53.12 per cent in 1928.*

In England also till lately the home of *laissez faire*, the Government has come actively to the assistance of industries and between 1921 and March 1927 a loan of more than £79 million was raised under the Trade Facilities Acts for approved purposes on behalf of private concerns with Government guarantee.†

Capital Requirements of Industries.

Industries require capital for two purposes: (1) Capital for block or to finance fixed assets. Newly started industries require money for land, buildings, machinery and other appliances of a durable kind. Old established industries also require long-term capital for extensions and replacements. (2) Working capital is required to purchase and work up raw materials into finished goods, for stores, for expenses on marketing and advertisement and also for day-to-day requirements. A portion of working capital is also of the nature of long-term finance. There is a certain stock of raw materials and manufactured or semi-manufactured goods which never falls below a certain minimum and money required to be spent upon these goods is also permanent capital. Working capital required above this minimum is of the nature of short-term finance. The relative proportion between the working and block capital varies from industry to industry. Where processes are 'round about', proportion of fixed to working capital is very large as in the cotton mill industry, iron and steel industries and the hydro-electric industry. In industries where processes are not 'round about' and implements are comparatively inexpensive as in cottage industries, the proportion of fixed to working capital is very small.

Existing Facilities in India.

Industries in India are not able to obtain finance to an adequate extent. The Imperial Bank is not allowed to grant loans on the security of shares and fixed assets and it is thus unable to grant loans to industrial companies for capital expenditure and even as regards working capital secured by liquid assets, it insists on a margin of 30 per cent and it cannot grant loans for more than six months. The industries have thus to provide not only the whole of the long-term capital, but also 30 per cent of the short-term finance. 'This attitude of the banks in India, added to the shyness of Indian capital, acts as a damper on the industrial development of India.' Banks usually insist on a full backing of tangible and easily marketable security and do not grant loans on personal credit and integrity of the borrowers.* This is because banks do not have confidence in industrial concerns due to bad management of the latter: but it is to some extent the business of banks to distinguish between good and bad concerns and to help those concerns whose position is sound. The insistence of the banks on a 30 per cent margin against stocks of goods is a great hardship to industries specially in times of low prices. The Cotton Textile Industry is passing through very bad times and the Managing Agents who in ordinary times can raise finance without difficulty are unable to cope with the situation at present. In other countries banks would have nursed such important industries by a bold and generous policy. Banks in India at present finance industries out of short-term deposits, but the industries are not always sure that the loans would be renewed

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* The Japanese Government realized the seriousness of the situation and embarked on an active national policy. Numerous students were sent abroad to study the industrial and commercial technique of the West, importation of foreign experts to train the Japanese in industrial technique and other machinery for industrial training was also provided. New industries such as textiles, iron and steel and ship-building, etc., were started. Capital was supplied whenever possible and substantial help was rendered by granting subsidies or giving protection. Commercial museums were opened by the Government in almost all the cities to hold periodical exhibitions by which the sale of goods abroad was facilitated and useful information was supplied to the traders. The Yokohama Specie Bank was established in 1880 and the Industrial Bank of Japan in 1902 which gave impetus to the progress of Japan's industrial development. For details see Rau, 'Present-Day Banking in India,' p. 290, G. C. Allen, 'Modern Japan and its Problems,' 1928, p. 166 and the Indian Central Banking Committee Report, pp. 265, 266.

† See Report of the Liberal Industrial Enquiry.

* This is in striking contrast to the position in England where for current business purposes banks grant loans on the personal security of the borrowers. See Walter Leaf's 'Book on Banking' quoted by the Indian Banking Committee.

on expiry of the period. In the Bombay Presidency and specially in Ahmedabad, industries get capital through public deposits and these deposits are withdrawn in bad times from good as well as from bad concerns and industries cannot always depend upon them. Further, rates of interest for loans and advances are very high, the usual rate being the Imperial Bank Rate or one or two per cent higher. The Imperial Bank Rate fluctuates owing to seasonal stringencies which means a real hardship to industries.

Capital for industrial development from the public is not easily forthcoming and debentures are not as popular in India as elsewhere. This shyness of Indian capital is due to a variety of causes: (1) There is no recognized method in India by which people can obtain advice, guidance and assistance with regard to industrial investments. Bankers' clients can obtain this type of help from their banks in other countries, but there are no banks in many urban centres of the right type which can guide their customers in such matters in India. (2) The failure of many smaller concerns has shaken the confidence of the public in industrial investments and people prefer postal savings banks and other Government securities to industrial investments. (3) Some investors look to capital appreciation and fixed interest bearing debentures with no prospect of capital appreciation do not appeal to them. (4) Insurance companies in other countries invest a large portion of their funds in the securities of first class concerns, but in India there is no insurance company which has taken to this kind of investment. (5) Heavy stamp duties on debentures and transfers of debentures are further impediments in the way of the popularity of industrial debentures. (6) The fiscal policy of the Government which does not guarantee protection against foreign competition is another reason for the shyness of Indian capital. 'We have heard the complaint that though machinery has been set up by the Government to consider the claims made by various industries for protection, namely, the Tariff Board, the recommmendations of this Board are not always carried out by the Government. It is, therefore, argued that the investor in an industrial undertaking has no assurance that the industry in which he invests will reach the profit-earning stage or that the profits, when once they accrue, will be maintained by inauguration of proper protective measures on the part of the Government of the country.'

INDUSTRIAL BANKING IN OTHER COUNTRIES.

Germany.—In Germany an industrial firm has a current account with its bank and at times it is in debt to the bank and at other times it has a credit balance with the bank. The amount of indebtedness, the period for which the loan is to be outstanding and the security to be offered are matters settled between the bank and the borrower beforehand. The current account balances are used by firms in Germany not only for short-term finance for working capital, but also for block capital for extensions in anticipation of recourse to the investment market.

Initial capital is provided in two ways. The promoters offer capital to the public or they themselves take over the entire capital in the beginning with the intention of offering it to the public later on. Laterly the second method has supplanted the first to a great extent and in this connection the German banks have played a great part in providing the initial capital which is released to the public subsequently or sold directly to customers having relations with the banks. A number of banks join together to share the risk. These are long-term investments resorted to as safe and liquid investments for banks' resources in first class securities. The banks in this way acquire business connections and influence. The German banks thus play an important part in financing enterprises. The ordinary banking business is, of course, the most important with German banks, but in addition, there is a department for industrial and similar finance, 'with a limited share of the banks' own resources, for carrying on financial transactions arising from time to time in the relations of the bank with the industrial and similar joint stock companies.' These transactions require a certain amount of capital investment which is in close relationship to the capital and reserves of the banks. Though in the aggregate it remains stable, its composition quickly changes according to market conditions and if the public does not respond to the offer of securities resulting from such industrial finance, the banks cannot continue assisting industries till such time as the public is again prepared to put up the new capital.*

* Mr. N. R. Sircar writes that this account of the German banks is not only inadequate, but that the lesson of the German banks is not rightly appreciated by the Indian Banking Committee. The German banks play a large part in the provision of long-term capital. They attend an industrial undertaking

Belgium.—The banks in Belgium have rendered great services to her industries and they were the only source from which industries could get financial help. The Societe Generale de Belgique, established in 1822, was the first joint stock bank in Europe to develop industrial banking and it also controlled various industrial concerns.

France.—In France, special institutions called Banques D'Affairs have grown up to finance industries. They participate in the capital of industrial concerns and help in placing their bonds and shares with the people.

Switzerland.—The connection between banking and industries is very close in this country. The Trust Banks there issue their own bonds whose proceeds are utilized for granting long-term loans to industries and for purchasing their shares.

Italy.—The establishment of the Societa Financiara Italiana which took over the industrial securities held by the Credito-Italiano paved the way for a sound system of long-term finance.

Ireland.—In 1926 the Industrial Trust Company was established in Ireland with direct Government assistance with a view to facilitate the financing of those enterprises which bad previously got loans in the form of Government guarantees under the Trade Loans Acts which were due to expire then.

England.—In England a very cautious policy is followed by clearly separating industrial from commerical banking. There are various international Issuing Houses in England which take up the matter of industrial finance and keep themselves directly in touch with the concerns they finance. With their help, the securities of industrial concerns can be easily put on the market. Owing to the development of the Investment Market in England, the Issuing Houses can readily invest money in the capital of industrial concerns to release the shares to the public.

Japan.—Japan was not slow in putting into practice the principles and methods of the Western countries and the industrial bank of Japan was established in 1902 to finance Government loans and to make advances against Government and Semi-Government securities, against ships, ship-building materials and other industrial issues. With the approval of the Minister-in-charge it could purchase or underwrite stocks and shares. The Government exercises control through the Minister-in-charge who appoints the controller for supervising the bank's business. Dividends to the shareholders can be declared on the approval of the Minister. In the beginning the Government guaranteed a 5 per cent dividend up to 5 years. The Government supplies funds to the bank at a moderate rate and guarantees capital-redemption and interest payment of the Industrial Bank of Japan Loan Bonds if such loans are floated in foreign countries.

A study of these facts shows that private enterprise and initiative alone cannot be depended upon to provide the necessary financial help for industries and some specialized institution is very necessary to provide long-term finance and to infuse confidence into the

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from birth to its death and help the concern through thick and thin. "They have satisfied the need for an institution to educate and encourage the general public in investing their surplus funds in industries. There was a place for some kind of agency which should obtain the confidence of the investing class, and use their confidence to direct their capital towards sound industrial undertakings. It was primarily the filling of this place that called into being the Credit Banks of Germany and accordingly these banks gave a prominent place in their programme to the development of Joint Stock Companies. The German investors are even now .... reluctant to participate in any undertaking before it is fully launched and they have a peculiar preference for projects in which a leading bank has interested itself." See his Minute of Dissent on p. 538 of the Banking Committee Report. In this connection the foreign banking experts are of a different opinion. According to them, the starting of industries is nowhere considered to be a bank's affair. An industrial company has to find its block as well as its working capital and it must prove itself strong enough before it is fit for industrial finance. They remark, "Under the German banking system such financial transactions which occur from time to time are, however, limited from the same conditions which govern the English Issuing Houses .... They require a responsive capital market and if the public are unwilling to put up the new capital required by the industrial company and which is offered to the market in a suitable shape, then the banks under the German system will not take the place of the public. They will not themselves furnish to the industrial company what the investing public is not prepared to take .... If the public is not responsive to the offer of the securities resulting from such industrial financing, then the amount normally invested by the banks .... cannot be raised ...., the German system offers indeed a great many advantages for the industrial development of a country and benefits the banks as well. This, however, is only on the condition that the business of the finance is handled with the utmost caution and care. Banks engaging in industrial finance should not and indeed do not start any new industries, nor should they manage industrial enterprises by themselves. German banks do not employ a staff of industrial experts .... What they do is to cultivate not only regular commerical banking business, but also financial transactions .... They develop a sympathetic attitude for the needs of industry." See Annexure II by Foreign Experts submitted to the Indian Banking Committee.

public so that the latter may invest their money in industrial investment securities. This special institution should be, as a general rule, apart from the commercial banks. Granted that a special bank is necessary for industrial finance, the question is whether it should be an all-India institution or there should be a provincial industrial corporation for every province.

The arguments in favour of a central institution are:—(1) In the present state of depression, the Central Government will be in a better position to raise finance for purchasing the capital of the corporation or for giving a guarantee regarding the return on capital than the provincial Governments. (2) The directors of the All-India Bank being men of all-India reputation will command greater confidence of the public than the directors of provincial banks because of their wider knowledge and outlook and hence the Central Institution will find it easier than separate provincial institutions to raise money for shares and debentures. (3) An All-India Bank with greater resources and well-distributed investments in industries will be better able to tide over periods of depression. (4) An All-India Bank will guide the industrial development of the country on very sound lines as it will gather knowledge and experience from all parts of India and will have a well-equipped intelligence department. (5) A Central Institution will be able to employ a staff of experts in various branches very economically to advise on industrial propositions throughout the country.

The arguments for a Provincial Institution are: (1) The Provincial Governments will find it easier to supply a small portion of their financial assistance than will be the case for the Central Government on whom the total demand will be very heavy. (2) 'Industries' being a transferred subject the Provincial Governments should be allowed to deal with it as they think best. (3) The advantages of a centralized issue of capital are real within some limit and the competition of the Central Government for capital in the All-India markets has also to be considered. (4) Provincial Banks will be better able to look to the needs of their provinces than an All-India bank specially as cottage industries will also have to be financed by the banks. (5) The economy of engaging technical experts at the centre is not very important as there will be few occasions on which their services will be utilized.

Details of Schemes placed before the Indian Banking Committee.

(*a*) *Capital.*—It was proposed that the capital of the Industrial Bank should be raised partly by shares and partly by debentures and different estimates were given for the capital of the All-India Bank. One suggestion was for Rs. 50 lakhs to start with which could be increased according to requirements; another suggestion was for Rs. 3 crores on the basis of Rs. 30 lakhs for each province which could be supplemented later. Another suggestion was for Rs. 10 crores of authorized capital of which Rs. 2 crores might be raised initially. In the case of a Provincial Bank for Bombay a suggestion was made for an authorized capital of Rs. 5 crores and paid-up capital of Rs. one crore according to the industrial possibilities of the province.

(*b*) *Receipt of Deposits.*—Various suggestions were made for the receipt of deposits. Some witnesses suggested long-term deposits for not less than 3 years so that competition with indigenous banks might be avoided. It was also pointed out by some that the bank should receive short-term deposits and in the early years should do commercial banking business because people would not be prepared to place their deposits with the bank for long periods; but those in favour of long-term deposits favoured Government guarantee to inspire confidence among the depositors. In this connection the Industrial Commission had recommended to this effect, "It appears to follow that an industrial bank with a sufficiently large capital to ensure its safe working must ...... combine ordinary banking business with its industrial activities to enable it to obtain a return on its capital. But ...... the clearest possible distinction must be drawn between industrial finance and ordinary banking business. Share and debenture capital and long-term deposits may legitimately be used for the former purpose, but short-term deposits never ...... "

(*c*) *Government Assistance.*—I. *Guarantee of interest on share capital* was suggested with a view to inspire confidence in the public. Some people suggested a limited guarantee for say, five years and others a permanent guarantee to be revised periodically. II. *Guarantee of share capital* was advocated as it was thought that the bank would not be able to attract sufficient capital without it. III. *Guarantee of Principal of Debentures.* It would induce people to purchase debentures of the bank, but if there is some guarantee

on share capital, guarantee on debentures is unnecessary as they will be issued on adequate securities. A double guarantee is preferred by some people. This guarantee should be limited for some years, but it was also argued by some that there should be no such limit as the guarantee in case of business will last till it becomes a paying concern and different concerns financed by the bank will become paying concerns at different times. IV. *Guarantee of Principal of Debentures.* "A powerful and well-directed stimulus is needed to start the economic development of India along the path of progress. Such a stimulus can only be supplied by an organized system of technical, financial and administrative assistance." It is, therefore, suggested that the Government should give a guarantee regarding the repayment of debentures. V. *Inclusion of debentures in the list of Trustee Securities.* The Indian Banking Committee are not in favour of it.

(*d*) *Nature of Government Control.*—Some restrictions should be placed upon the activities of the banks by the Government to ensure safety. The restrictions proposed are: (1) The bank should not lend more than a certain proportion of its capital to a particular industry. (2) Advances should be made only after the expert gives a favourable report about the prospects of the concern. (3) Applications from industrial concerns for loans should be entertained only when 50 per cent of the required capital of the concern has been subscribed and paid up with a view to avoid risk to the bank. (4) The bank should satisfy itself that the management of the industrial concern is in the hands of expert managers. (5) It was also suggested that the Government should exercise control over the banks by appointing one or two directors.

(*e*) *Nature and Scope of Advances.*—The bank can provide initial capital for industries in the form of a direct loan or by underwriting the share capital of the concern. In case commercial banks do not provide working capital to industrial concerns, the proposed bank will take up this business also and it could also develop the cottage industries.

Proposals of the Central Banking Committee.

According to the Committee initial block capital should come from the public through shares and debentures and capital for extensions should come from reserve funds and failing that from issuing shares and debentures. Commercial banks can be expected to supply finance for such purposes in the form of temporary advances on adequate security. These loans should be repaid from the proceeds of shares or debentures. 'Further the ideal arrangement is that industrial enterprises should also provide out of their initial capital the minimum necessary working capital ...... Any extra requirements of working capital over and above this minimum might be met by short-term advances by commercial banks which will be entitled to require that the industrial enterprise maintains a safe and proper relation between owned and borrowed capital."*

What Commercial Banks should do.

The commercial banks can follow the policy of German banks by underwriting the shares and debentures of industrial concerns so that the public may have confidence in the concerns and may purchase these shares and debentures in course of time. No technical experts on the staff of the banks are necessary for this purpose and to have business relations with industrial concerns, a commercial bank should have somebody on the management to be fully conversant with the financial side of the industries in general. These banks' delegates will prove useful to industrial undertakings in view of their general experience in finance and will also be of advantage to banks themselves to protect them against losses. This will also promote an atmosphere of mutual confidence. But, of course, this new class of business requires much experience, a sound banking

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* The foreign experts who collaborated with the Banking Committee do not accept the position that industrial concerns in India should be expected to have their working capital supplied by Commercial Banks even if adequate security is offered. "Not only block, but also normal working capital has to be furnished out of the firm's own capital, and before the firm is fit for Industrial Banking ...., it must have been in operation for a sufficient period to prove that it is strong enough .... We consider this as the sound arrangement so that the expressions 'ideal arrangement' and 'minimum working capital' .... seem too weak to us .... We understand by the 'normal working capital' the capital which the industrial concern can employ during the whole year on the basis of its present capacity, whilst only the amount in excess of that normal capital needed in the busy season .... may reasonably be expected from bank credit. If the whole of the working capital of an industrial concern is borrowed money, part of the loan would become locked up, and the concern would never be free from indebtedness to the bank." See Appendix I to the Central Banking Committee Report, pp. 610, 611, also Enclosure II, pp. 631, 632.

policy, considerable capital and a firm resistance to speculative tendencies. The Imperial Bank of India on the establishment of the *Reserve Bank might give a lead in this direction*, but the bulk of the smaller joint stock banks in India having small resources are unfit for the business. To establish an effective *liaison* between the bank and the industrial concerns it is necessary that the entire banking business of an industrial concern to be financed by the bank should be in the hands of only one bank.

The Banking Committee recommend the appointment of Local Advisory Committees in Banks to create a sympathetic attitude of the banks towards industries. These committees will *provide reliable information* to the banks regarding the status and financial position of their customers. The functions of these Local Boards should be purely of an advisory character otherwise the responsibility of the bank management will be weakened. These Advisory Boards will be selected by the Directors and the choice should fall on the leading men in business and industry.

Regarding the granting of loans on personal security, the banks in India are not in a position to do that and even in Western countries such loans are confined to very big firms. "We cannot, therefore, recommend an indiscriminate extension of the system of granting clean credits by banks in India ...... ". But the banks should treat borrowers according to their integrity and financial position *regarding loans and securities and if borrowers* are of good standing as to justify loans on personal security, this should be done.

At present Government securities are more popular than industrial securities because of the credit of the Government and the rates of interest offered by them. The fiscal policy of the Government is also responsible for this as the investors are not sure that the Government will guarantee protection against foreign competition. "We think that a nationalization of the country's fiscal policy .... would enable industrial investments to *become equally attractive with Government* security."

PROVINCIAL INDUSTRIAL CORPORATION.

The Central Banking Enquiry Committee have recommended the establishment of a Provincial Industrial Corporation for every province with branches if necessary and with capital initially or permanently supplied by the Provincial Governments concerned. But this creation is dependent upon the will and judgment of Provincial Governments.* To what industries should help be granted is solely to be determined by the Corporation *and the Government*. "We think it undesirable to fetter in any way the discretion of Provincial Governments in a matter which is of fundamental importance from the point of view of provincial development by suggesting *hard and fast criteria for the grant* of assistance by the proposed Corporation. At the same time ...... we hold that the advisability of giving assistance in any particular case should depend on the extent to which the enterprise will be of benefit to the public, and will add to the productive power of the province and provide employment for its people, and not merely on its probable advantage to the promoters of the industry."

The share capital will vary from province to province according to industrial needs. As far as possible it should be obtained from the *public, and failing that the* Committee have recommended that the Government should purchase as much of the capital as is not purchased by the public. This method is preferable to the guarantee of dividend on share capital. The share capital should be supplemented by debenture capital† which should not be more than twice the

* Mr. Sircar makes the following remarks in his Minute of Dissent, 'I am convinced that the establishments *of industrial banks* is *not* only desirable, but absolutely necessary. I regret that my colleagues have been led to make their recommendation vague and perhaps misleading. For, as the recommendation now stands, it seems to imply that the case for the establishment of such institutions has still to be proved before the Provincial Minister takes any action The Industrial Commission which considered the matter in 1918 .... recommended the constitution of an expert Committee to consider the question of the establishment of *industrial banks for* financing industries in India. The Banking Committee which is surely an expert committee .... *would be failing in its duty if it did not* unequivocally press for the establishment of industrial banks in the provinces the need for which has been emphatically pressed by all the Indian witnesses .... I do not think, therefore, that it will be necessary for the future ministers in the provinces where the banking committees have recommended the creation of industrial banks to go over the same ground .... as we have traversed.' See his Minute of Dissent, 535-536. He, therefore, definitely recommends the establishment of *Provincial* Corporations immediately in Bombay, Madras and Bengal.

†Debenture issues should not exceed the amount *of the outstanding long-term loans and must not* be more than five or six times the amount of share capital. This would secure good profits to the *corporation and* the debentures at all times would be covered by long-term secured loans and the additional security provided by capital to the extent of 20 per cent of debenture will be enough.

amount of share capital in the beginning and to make the investment attractive the Government should guarantee interest on debentures for a limited period. If necessary, the Government might also purchase a portion of debentures until a regular market has been created for them. The Committee reject the idea of the debentures of the Industrial Corporation being classed among trustee securities.

The Industrial Corporation can also secure resources through long-term deposits from the public for a period of not less than two years. Short-term finance will be obtained by industrial concerns from existing institutions. The money so obtained should not be lent out for longer periods than the currency of the deposits. This proposal that deposits for less than two years should not be accepted by the Corporation is designed to prevent competition with private joint stock banks. So long as the Government is interested in the corporation through subscription of share or debenture capital, or through guarantee of dividends or interest on such capital, it should be represented on the Board of Directors of such Corporations. The Government nominee should not have the power of veto, but he should be entitled to ask for a reference to the Government if he does not agree with the views of the Board on important matters. By-laws should be framed by the Corporation giving the conditions under which it may grant loans to industrial concerns. This will ensure that the business of the Corporation is conducted in a fair and impartial manner. During the currency of the interest of the Government such by-laws should require the sanction of the Government.*

AN ALL-INDIA INDUSTRIAL CORPORATION.

This institution can secure proper *liaison* in the matter of finance and a direct connection with the large spending departments of the Central Governments and correlation of industries with railway rates, customs and stores purchase policies of the Government. This question is to be finally decided by the demands of the Provincial Governments requiring the services of such a Central Institution or by the Central Legislature. For some time at least there will not be national industries of such importance in so large a number as to justify the establishment of such a Corporation to enable it to invest its funds remuneratively and existing national industries can be financed directly or indirectly by the Federal Government. It will, therefore, be a long time before the establishment of such an All-India Corporation will be justified. But the co-ordinating and supplementary functions proposed to be entrusted to the Corporation will be there. For these reasons an All-India Industrial Board with advisory functions is to be recommended. It should consist of the Government Members of the Industries and Finance Departments, representative businessmen connected with finance, banking, commerce and industry and representatives of Provincial Industrial Corporations.

ITS FUNCTIONS.

The Board can take up periodical surveys of Indian industries and suggest the true lines of progress by avoiding over-production. It can help the Provincial Governments in preparing their programmes of industrial reconstruction and it will thus be able to avoid unnecessary inter-provincial competition in particular industries. It can render services regarding the collection and dissemination of industrial intelligence so very useful to all provinces. In Europe and America such statistics of production are being compiled which enable governments to follow definite credit and currency policies and in India this work can be entrusted to the All-India Board. It can maintain a staff of experts, keep up to date the results of industrial surveys by studies and researches conducted by experts, give suitable advice to the Corporations regarding issues of debentures, etc., can guide the general policy of the Provincial Corporations in making investments in securities of industrial corporations and it can advise the Government and Provincial Industrial Corporations with regard to the floating of inland and foreign loans. It can enquire into the organization of Indian industries and make suitable recommendations thereon. The Government can depend upon it for advice on commercial and industrial education on proper lines and it can also formulate some schemes for drawing out small savings for industrial investments. Most of all it can emphasize upon the Central Government the need for formulating their fiscal, financial, railway rates and stores purchase policies to suit the interests of Indian industries and suitable action for advancing the interests of industries in general can be undertaken by the Board.

*See Minute of Dissent of Mr. N. R. Sircar, 544-545, where he lays down certain functions of the Corporation and suggests precautionary measures for controlling their practices.

Madras Since the British Conquest—XVI.

By The Editor.

During the period Sir Robert O'Callaghan was Commander-in-Chief there were two noteworthy European Courts-Martial. Both related to distinguished personages and both ended in the acquittal of the accused.

Trial of an Adjutant-General.

The first of these, which was held at Bangalore on the 1st October 1834 and continued by adjournment, was for the trial of Lieutenant-Colonel T. H. S. Conway, C.B., of the 6th Regiment L. C., and Adjutant-General of the Madras Army. The substance of the charge was as follows :—

Charge.—For scandalous and infamous conduct, unbecoming the character of an Officer and a Gentleman, in having *falsely* and *maliciously* asserted, in a conversation with Captain T——, relative to certain accusations against the prosecutor, Lieutenant-Colonel E. L. S.——, of the 8th Regiment L.C., that they were known to Colonel F—— previous to his departure for England in 1828; and further that Colonel—— had mentioned Lieutenant-Colonel S——'s fault to Lieutenant-Colonel Conway, who advised him by no means to bring it forward, unless he could be certain of proving it—no such remarks ever having been made by Colonel F——and the whole being a fabrication tending to injure Lieutenant-Colonel S——and shake the confidence of his friends, etc., etc.

Upon which charge the Court came to the following decision :—

Finding on the Charge.—That the prisoner is not guilty, and the Court fully and honourably acquits him thereof.—*(Signed)* John Darlymple, Major-General and President.

On this Sir Robert O'Callaghan passed the following order of aproval and confirmation :—

Approved and Confirmed.—And Lieutenant-Colonel Conway is hereby released from arrest, and will resume his duties as Adjutant-General of the Army. In restoring to the army of Fort St. George an officer who, during a long service of forty years, has been so intimately concerned with its honour and glory, I consider it but a simple act of justice to place upon record my perfect concurrence with the full and honourable acquittal recorded by the Court, together with the assurance of the firm reliance I have ever had upon Lieutenant-Colonel Conway's integrity, notwithstanding the painful necessity imposed upon me of putting to the proof the heavy accusations preferred against him.

It does not appear who Lieutenant-Colonel E. L. S.—— was. Whoever he was, he had a poor case against Colonel Conway and less chance of winning it. Entering the East India Company's military service in 1793, Colonel Conway reached Madras in 1796 and distinguished himself in several of the campaigns of the next twenty years. He was in the expedition to Ceylon, in 1796; in the project to Manilla, under Major-General Sir James Craigie, K.B. (with Lieutenant-Colonel Close as Adjutant-General) in 1797; in the final war against Tipu, 1799; in the Ceded Districts, 1801-02; in the Mahratta War, 1803-06; under Sir Thomas Hislop, 1815; and in the Pindari War, 1817-18. He was appointed Adjutant-General of the Madras Army in 1809, a capacity in which he served most zealously during a period of 28 years, out of a total service extending over 42 years. He was made a C.B. in 1819 and employed on a military mission to Bengal during 1828-30. His report on the Silladar System in Mysore, which he presented on 22nd April, 1833, is a most valuable one. His brilliant career of public service was cut short, all too suddenly, in his 58th year, when he was proceeding to assume command, as a Brigadier-General in the Army, the Command of the Hyderabad Subsidiary Force. He died of cholera at Nakankallu in the Kistna district, on 13th May 1837. His marble effigy by Turnouth is one of the ornaments of St. Mary's Church, Fort St. George, Madras. (See Cotton, *List of Tombs*, page 228, No. 1266.) It is inscribed the "Soldier's Friend", which sums up his popularity in the Army as Adjutant-General. He was the first to build permanent barracks for the use of soldiers. His name is still remembered in Madras in Conway's Gardens, Kilpauk, which in 1816 was owned by him. (See H. D. Love, *Vestiges of Madras*, III, 563.)

Major-General John Darlymple, who was President of the Court-Martial, was probably a son of Lieutenant-Colonel James Darlymple, a distinguished and popular officer, who died in the 44th year of his age at Hyderabad on 9th December 1800. He had rendered many important services to the State, amongst which may be mentioned the storm and capture of the fortress of Raichur in 1795 and the expulsion of Dhoondiah Waugh from the Mysore territory in 1789. He was selected to lead the 8 flank companies of the M. N. I. employed in the storm of Seringapatam. General Arthur Wellesley—the future Duke of Wellington—wrote of him as follows in a letter to the Resident at Hyderabad, dated 17th

December 1799:—"I join in the general regret for the loss of Lieutenant-Colonel Darlymple. I fear that it will be difficult to replace him, indeed, on public as well as on private grounds, his death is looked upon by all as a public misfortune." A brother of James was probably Lieutenant-Colonel Samuel Darlymple, who served under Colonel (later Sir Thomas) Munro in the occupation of the territory ceded by the Peshwa in 1817. He commanded the artillery. In the following year, he served in the same capacity under Brigadier-General Pritzler in the siege operations in the Southern Mahratta country, and was present at the taking of *Sholapur. He was created a C.B. In 1819*: he commanded as a special case the Indian Fort Artillery (Goulandauze) attached to the European battalion at St. Thomas' Mount. He died at Madras in May 1821, and was buried at St. George's Cathedral Cemetery. His epitaph states that "the memorial of his worth is inscribed on a cenotaph erected by his brother officers at the Artillery Cantonment at St. Thomas' Mount in testimony of their sense of his public services and private virtues." (See *List of Tombs and Monuments of Europeans, etc., in the Madras District*, Edn. 1898, p. 31.) Lieutenant-Colonel John Darlymple, who belonged to H. M.'s 30th Foot and fell a victim to the notoriously inhospitable climate of Wallajabad in the Chingleput District, on 9th January 1829, was probably a son of James Darlymple, whose death Colonel Arthur Wellesley so feelingly deplored. (See Cotton. *List of Tombs*, page 183, No. 980.) Whether Mr. A. D. E. Darlymple who was officiating Sheriff of Madras now and again between 1855 and 1871 was a relative of any of these is not known.

Trial of a Colonel.

The other Court-Martial with which the name of a senior officer in the Army was connected is that of Colonel Sir Edmund Keynton Williams, K.C.B., and K.C.T. and, S., of H. M.'s 41st or Welsh Regiment of Fort. He was, at a General Court-Martial held at Vellore, on the 15th December 1834, arraigned on the following charges, *viz.* :—

First.—For wanton harshness and abuse of his *military authority, tending to produce a want of* proper respect for me in the Regiment I was about *again to command, in the following instance: In* having at Moulmein, on or about the 2nd of March 1832, both by his adjutant and in person, violently and peremptorily ordered my baggage to be instantly taken off the public bandies employed for the general use of H. M.'s 41st and 45th Regiments, then undergoing relief, and left on the high road.

Second.—For having at Moulmein, on or about the 12th October 1833, personally prevented two of the soldiers of the Regiment under *my command, who were playing at long bullets on* the high road, without their shirts and caps on, from *being confined or even reported to me, although it* was my well-known and positive order, in consequence *of several accidents that had occurred (dated 20th* March 1832), that every man under such circumstances should be immediately confined.

Third.—For threatening and wounding my feelings, and throwing aspersions on my military character as an officer, in the following instances :—First :—In having at Moulmein, on the 1st of June 1832, violently and menacingly threatened to deprive me of the command of the Regiment, place me in arrest, and give the command of the corps to one of my Captains, and then report me to His Excellency the Commander-in-Chief, notwithstanding I was second in command, on the plea, and as an excuse for such conduct, that I was in the habit of making use of uncalled for observations and remaks in some of my letters that he would not allow or admit of Second :—In having, on the 18th of September 1833, in presence of my junior officer Major Cotton, again violently threatened to bring me to a General Court-Martial for disobedience of orders and neglect of duty. Third :—In having at Moulmein, on the 29th of October 1833, again charged me with disobedience of orders. Fourth :—In having at Moulmein, on the 2nd of November 1833, in the presence of the Deputy Assistant Adjutant-General, Tenasserim Provinces, and Major Cotton, H. M.'s 41st Regiment, again accused me of disobediences of orders in bringing the *latter officer with me to his quarters, and repeatedly* threatening to place me in arrest; and subsequently, *on entering his receiving room, in presence of the* Deputy Assistant Adjutant-General, and Lieutenant Deere, of *H. M.'s 41st Regiment, accused me of dis*obedience of his orders and neglect of duty, in allowing Private McMullen to go out shooting although he, Colonel Sir E. K. Williams, had lent Private McMullen his gun expressly for that purpose; all of which, he, Colonel Williams, denied and finally ordered a court of inquiry to put a solitary question to the said McMullen, which he did not comprehend.

First additional charge.—For having at Moulmein, on the 29th January 1834, placed me in arrest, for no other known cause than having submitted through the prescribed channel charges against Colonel Sir E. K. Williams for the approval of His Excellency the Commander-in-Chief.

Second additional charge.—For having at Moulmein, on the 29th January 1834 or thereabouts, officially ordered the witnesses to attend at his quarters who had been publicly warned by me as my evidence in my prosecution of the charges which I had preferred against him, Colonel Williams, and having subsequently, at the Deputy Assistant Adjutant-General's house, illegally examined them upon the full extent of the testimony they could each adduce against him upon his expected trial, and having ordered the Deputy Assistant Adjutant-General, in his *presence, to take from each individual a written* record of the same, to which they were directed to *affix their signature; such unprecedented conduct,* together with the intimidating influence of his high rank, *having*, contrary to law, *tended* to overawe my witnesses, thereby making them withhold their future evidence against him at his trial.

The above being to my injury and disgrace, and to the prejudice of the service, as well as in breach of

the articles of war, and in direct violation of the known and established laws of the realm.

The nature of the charges showed that they were conceived in prejudice. The finding was one of 'not guilty" and was thus formally delivered:—

Finding.—Not guilty; and the Court doth fully and honourably *acquit* the prisoner of all and every part of the charges.

This was 'approved and confirmed" by Sir Robert O'Callaghan, the Commander-in-Chief. Sir E. K. Williams rose to be Major-General and was in 1844 President of the Madras Club.

So many were the Courts-Martial that had to be ordered to settle petty matters that Sir Robert O'Callaghan thought it right to put an end to this kind of inconvenience to the public service. In one case—a very bad one—he administered a severe rebuke to a young irritable Lieutenant, who had got into a mess over a private purchase with a senior member of the Civil Service. The action he took is illustrative of the character of Sir Robert's army administration, a judicious mixture of frank kindliness combined with the highest type of discipline. The army order he issued on this occasion, reproduced below, explains itself:—

"*Head-quarters, Choultry Plain, January* 15, 1836: A case has recently occurred so peculiarly illustrative of that inclination to petty disputes combined with a spirit of insubordination and contempt for authority, which has, of late, lowered the discipline of this army, and produced an endless succession of trials by Courts-Martial, equally inconvenient to the public service and discreditable to the parties implicated that the Commander-in-Chief has decided upon holding up the offender, in general orders, as an example to his brother officers. Lieutenant W——, of the 32nd Regiment N.I., having purchased certain articles, the property of Mr. Nicholls of the Civil Service, Acting Second Judge of the Western Division, allowed several months to elapse without any offer of payment. Mr. Nicholls being about to embark for Europe, addressed a perfectly unobejetionable note to Lieutenant W—— on the subject, to which the latter made no reply. Mr. Nicholls then appealed to the officer commanding the 32nd Regiment N.I.: a measure forced upon him by a disregard to the common courtesy of society, and of which Lieutenant W——, therefore, had no reasonable cause to complain; but he, nevertheless, saw fit to address a letter, extract of which is annexed below,* to Mr. Nicholls, who thereupon brought the whole transaction to the notice of the Commander-in-Chief. His Excellency after an attentive consideration of the whole correspondence, expressed his decided disapprobation of Lieutenant W——'s conduct, and, trusting that calm reflection would have led him to perceive his error, required him to make a fitting apology, and to withdraw the insulting expressions, so improperly addressed to Mr. Nicholls. Lieutenant W——, however, has obstinately persevered in error, and disregarded the Commander-in-Chief's instructions, upon the mistaken assumption, that, having once expressed his opinion of Mr. Nicholls, he could not conscientiously retract it with honour to himself! Lieutenant W—— will do well to avoid *hereafter* the discredit which attaches to the offer of gratuitous insult, to remember that stubbornness is not firmness, and to consider that the head of the Army is the appropriate judge of that which regards the honour of officers serving therewith. It will require a long course of good and obedient behaviour to relieve Lieutenant W—— from the imputation of insubordinate misconduct, under which he at present labours and the Commander-in-Chief trusts that he will profit by the lesson, and reflect upon the risk to which he would have been subjected, had not the departure of the complainant precluded his conduct being investigated by a general Court-Martial. This order to be read to Lieutenant W—— by the officer commanding the provinces of Malabar and Canara, in the presence of the officers stationed at Cannanore, who are to be assembled for the purpose, and also to every corps and detachment of this army on its public parade."

Mr. Solomon Nicholls, the person maligned by the young Lieutenant, was just retiring from the Madras Civil Service at the end of thirty years of service in it. He had served in almost all the Departments of Government—Foreign, Political, Secret, Military, Commercial and Judicial. In 1817, he had become Deputy Lieutenant-General in the Military Department. In 1826, he was made Judge at Madura, and in 1830, Third Judge, Provincial Court, Southern Division. At the time of his retirement, he held the office of Second Judge of Provincial Court, Northern Division. He died in England on August 22, 1857.

Trial of a Mutinous Havildar.

The *Madras Gazette* of August 10, 1834 gave the following account of the extraordinary conduct of a Havildar, who was being tried by an European Court-Martial. The proceedings are the more remarkable for the turn they took, the members of the Court drawing their swords in defence:—

At Arcot, about a fortnight ago, a havildar of the 2nd Light Cavalry, having been charged with some minor offence, was warned of a regimental court-martial convened to investigate his case, when he appealed from a Native Regimental to an European General Court-Martial, under a late provision. The Court accordingly assembled, and the proceedings were entered upon; but fearing, from the turn matters appeared to take, that things were going against him, the Havildar deliberately spat in the face of the officer sitting

*"Having now concluded my pecuniary affairs with you, I cannot refrain from remarking; that I consider the means you have resorted to, as very indelicate and ungentlemanly. At present, I dare not take further notice of it, without you waive your commission. However, I trust to meet you in England when *out* of the service, we shall *then* have an opportunity of speaking more fully on the subject."

nearest to him. The members of the Court stared at one another, paralyzed by astonishment; the Havildar, making the most of his time, regularly *sarved* them all out, throwing his turban at the President, giving one of the members a punch in his victualling office, and spitting in the faces of the rest. The members of the Court, recovering from their reverie of wonder, drew their swords, and in a moment afterwards half-a-dozen sabre points were presented at the prisoner. The President, however, immediately desired their swords to be returned to their sheaths; when the Havildar made a dash for the sword of a cavalry officer who was one of the members of the court. He seized the hilt, and had partly drawn the blade from the scabbard, when he was seized, hand-cuffed, and is to be tried for the mutiny; but he declares his resolution to starve himself to death. A remarkable feature in this case is, that when he was given his choice of a native or an European court to try him for the mutiny, he again preferred to be tried by European officers. This, we believe, is the first instance for such conduct ever known among sepoys.

On September 6, the *Madras Herald* reported that the Cavalry Havildar was brought before an European Court-Martial at Arcot and according to its finding shot to death with musketry.

Alleged Frauds in the Commissariat Department.

In 1835 certain allegations were made against certain of the Indian clerks including the Manager in the Commissariat Department then stationed at Bangalore. A Court of Enquiry consisting of the Commissary General and Lieutenant-Colonels Isacke and Williamson, were appointed to enquire into their conduct. They were placed under suspension and the houses of the clerks were searched and numerous documents seized. Nothing incriminating was found. Suspicion of peculation rested on them because they had suddenly accumulated wealth to an extent not known before. The *Madras Courier* of June 4 remarked that much had been written about the Commissariat Department and to the necessity for remodelling the system on which it was worked but so far without any response. "It is not to be wondered at," it said, if it was open to "great abuse and peculation". Eight months elapsed, still the men were in custody. One Court-Martial that tried them had been dissolved and another had been appointed but it had made no progress—it had not even met once. The first sat has for two months but had established nothing against them, deserving of "bonds or imprisonment". Even the highest of them, the Manager (one named Subbaraya), had been in prison all the time and had not been allowed to attend on his mother on her death-bed. When a trifling indulgence was shown to him during her illness, the British officer concerned was, it would seem, "severely reprimanded". On this the *Courier* (of February 8, 1836) protested strongly against the injustice of the whole thing. It asked if his continued detention in jail, without any evidence against him, "be tolerated". It indignantly asked:—

"Is there no power to which this persecuted individual can appeal, and demand either to be put on his trial or discharged from further restraint and responsibility?—if not, in what consists the dearly-purchased privilege of the *habeas corpus?*"

All appeals for decreasing the severity of the confinement of this official had been in vain. And the *Courier* warmed itself for the final onslaught, which it thus delivered:—

"Did Soobrayah know less of the private history of some few, than we have been informed he does, and of the way in which they have discharged the duties pertaining to the appointments they hold, and amassed the fortunes they possess, it has been said, the way in which he acquired his own wealth would never have excited suspicion, much less than subject-matter for enquiry."

I have been unable to trace what became of Subbaraya after this. It is to be hoped that the *Courier's* hit went home and he was set at liberty.

The increasing extent to which Canada is becoming industrialized is clearly indicated in the "Survey of Production in Canada," just published in Ottawa. This shows that in 1930 there was a rapid development in the lead of manufacturing industries over agriculture from the point of view of the value of production, the margin having increased from 93 per cent in 1929 to 132.2 per cent. The principal occupation of the Canadian is, therefore, manufacture and not, as many people are apt to suppose, farming. The figures show that in 1930 agricultural production represented 23.6 per cent of the net output of the Dominion compared with 54.8 per cent, representing the net value added by manufacturing process. The tendency towards industrialization still continues, and is a fact to be borne in mind in considering Indian economic problems, where industrialization is still in its infancy.

Fascism—The head of a State which professes the pagan cult of nationalism in its most militant form. Fascism is "pagan worship of the State".

A Bank of International Settlements and India.

By Dr. B. Ramachandra Rao, M.A., Ph.D.

Dreams oftentimes become stern realities of every-day life. For a long time it was the aspiration of international thinkers to create an International Bank. "Out of evil cometh good" says the well-known adage. The imperative necessity of commercializing Reparations gave birth to the new bank which fairly promises to solve many of the world's financial ills. A rational reconstruction of the world's monetary system can be accomplished through its aid. The economising of gold and the co-ordination of the different Central Banks' policies are the two-fold aims of the International Bank of Settlements. By centralisation of credit and the dispensing of short- and long-term credits on somewhat equitable basis to all the needy countries the International Bank can possess great influence on monetary organization of a country. It behoves us to realize the principles for which the International Bank is striving and co-operate with its governing body in establishing a regime of gold monetary internationalism once again. The steps needed to co-operate with the Bank of International Settlements are outlined in this article. But these can be undertaken only when England definitely returns to the gold standard and permits India to link the rupee to gold. Now that "Reparations have almost been killed and inter-allied debts are about to be killed", an attempt has to be made at the forthcoming World Economic Conference to convert it into a Supernational Bank.

Its Origin.

Though it is mainly intended as a Bank for the commercialized payments of German Reparations as formulated by the Young Plan, yet it is possible to secure lasting good out of this new financial institution possessing unique responsibilities.* It is a pity that the American Government have practically administered a rebuff to the ideals of co-operation involved or underlying† the Bank of International Settlements by refusing to pronounce its own benedictions on this proposal.* Future monetary stability all over the world and an intelligent management of the gold standard are some of the ulterior effects if the proposed Bank is made to work on sound lines. As important momentous consequences would flow out of its successful working, more details of this Bank should be understood.

*Even Prof. Keynes admits that it might become a Supernational Bank if only it sheds its general financial business—*Treatise on Money*, V, ii, p. 404.

†The word International can be aptly used as its daily business is conducted in four languages, English, Italian, French and German. Its officers belong to ten nationalities. Its short-term investments are scattered all over the globe. Its capital is subscribed to by Central Banks of 26 countries.

Some Earlier Proposals.

At the Brussels International Financial Conference of 1920 which was so prolific of highly ingenious schemes the first well-conceived suggestion for an International Bank was made. Monsieur Delacroix suggested the creation of an International Bank to issue interest-bearing bonds in exchange for 'genuine securities' such as rights over customs duties, harvests, mineral products, or any produce from which a return can be foreseen within a relatively short time and allow the redemption of a bond at a not too-distant date.†

A more grandiose plan than the above was the plan of Carl Thalbitzer to start a Bank of the League of Nations to 'fill the gaps in International financing' and 'arrange refining and other credits where existing banks cannot offer their services.' A new international unit of account called the 'league' was to be established and the parity of its value with gold is to be maintained by this Bank. The capitalization of the Bank was to be secured by subscriptions 'payable in gold or in currencies at the rate of the day'.

The apparent defects of both the plans were realized and the schemes were given up as 'romantic' and 'precious' suggestions. Nothing tangible resulted out of these discussions.

Reasons for Starting the Present Bank.

The immediate reason for the inauguration of this bank was to facilitate the making of the new reparation payments‡ on the part of

*The Federal Reserve Board is not directly represented on the Bank of International Settlements. But a powerful banking group of the U.S.A. sends its representatives to participate in the management of the Bank of International Settlements.

†See the Papers 12 and 13 read before the International Conference, Brussels, 1920.

‡The Young Plan stipulates for the payment of an average sum of £100,000,000 a year until 1965 From 1965 to 1985 average payment was to fal to £80,000,000. It drops to £45,000,000 in the year and by 1988 the reparation payments have to cease altogether. See the *Economist*, 3rd Augus 1929.

Germany. It is created to supplant the old Transfer Committee under the Dawes Plan. The commercialization of reparation payments *collected in Germany which have to be* transferred to the foreign countries and the payment to the creditors in their own currencies is *the main object of the Bank.** Though the commercialization of reparation payments is the primary object, yet it is to exist as a purely commercial or non-official financial institution not subject to the control and political pressure of any Government of any *country.* It is *created to exist* solely as a medium for organized financial co-operation† between the different central banks of the world.

Secondly, its formulators have wider and more ambitious aims and wish the Bank of *International Settlements to realize the* wider issues. It is meant to act as "Central Bank for Central Banks". Even if this Bank were *to confine itself to the business services of a* "Clearing House" for the Central Banks, it would undoubtedly realize this ambition. But *the fathers of this scheme* wish to place rediscounting powers in the hands of this Super-Central Bank so that many tangled questions of international debt remittance and international debt repayments to the U. S. A.‡ are to be accomplished by the new Bank. *Acting as a reservoir of foreign e* change it can render help to any Central Bar of any country. If one remembers how tl *Central Bank of France by holding lar* foreign exchange holdings agreed recent to support the dollar-sterling exchange, tl *essential utility of the world reservoir* foreign exchange can be grasped easily. Tl stabilization of exchange within normal limi of gold points can easily result out of a su cessful working of the scheme. Abnorm fluctuations in exchange can and ought t be checked by *gold transactions* in the go reserves stationed in the hands of the Ban of *International Settlements.*

Thirdly, it *would indirectly* cement tl ties of close relationship between the differe Central Banks§ as there would be no encroacl ing on the field of work of any existing Centr Bank or any of the investment banks of tl existing countries where it might be repr *sented. If cut-throat competition* is elimina ed the new institution is bound to recei hearty welcome.

Fourthly, a successful discharge of th second and the third functions would enabl the new bank to help the stability and reo *ganization of the banking systems of* the newl settled countries. Some sort of financi federation of the different nations is to l

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*The Bank of International Settlements receives the German annuity payments and executes the distribution of the payments to the creditor countries. It receives from the German Government the certificate of debt which specifies the annual amounts payable by Germany. On 15th day of each month the Bank of International Settlements receives the equivalent of 36.5 mil. dollars a month. These are received in currencies called for by the Bank of *International Settlements. Some portion* is *payable* in Reichsmarks which are used to finance deliveries *of commodities to the creditor countries.*

Similarly it undertakes to execute inter-allied debt payments on behalf of *Hungary, Bulgaria and* Czechoslovakia to their creditor countries.

Under the trusteeship function of the Bank can be arranged this task of receiving and disbursing payments on behalf of internal loans floated by Governments.

†The Committee of Experts who formulated the scheme and organized the Bank say, "We have attempted to set up an institution whose direction *from the start shall be co-operative and institutional* in character, whose members shall engage them*selves to banish the atmosphere of the war, to obli*terate its animosities, its partnerships, its tendencies, phrases and to work together for a common and in a spirit of mutual interest and good-will."

‡Some such thing has ultimately to be devised becomes clear. If Europe can afford to pay its indebtedness to the U.S.A. it is impossible for these countries to expect the settlement of debt by gol payment alone. Commodities cannot be sent b the debtor countries as there is a high tariff wa in America. Either it has to scale down the tari duties or agree to receive the payment in kind c consent to overlend as in 1926 28 period to German sums which are far greater than interest payment *in which case it would be easy to pay temporaril* the American indebtedness. As neither of the alte *natives can be carried out, it is quite possible t* expect the proposed Bank of International Settle *ments to arrange for the liquidation of settlemen* of indebtedness to America. Payments in kin which might be *sold to* other countries woul lead to foreign exchange holdings which can late on be converted at a stable rate into dolla currency by this Bank. The payment of repara tions according to the capacity to pay an without endangering German currency is the objec of starting the International Bank and the recen settlement of the reparation payments (1929) If the Lausanne Conference were to succeed it woul put an end to this situation. The Bank of Inter national Settlements will have to perform the non reparation payments functions alone.

§See the Report of the Gold Delegation of th Financial Committee, para 194: "The maintenanc of international equilibrium without the sacrifice o national interests ought to be the guiding motiv of the Bank of International Settlements."

evolved.* Economy of gold and still further concentration of it in its hands would be its advantage. Whatever might be the actual gold production itself or "the statistical position of gold" as the economists term it, the new bank would bring about substantial economy of the yellow metal by dispensing with several unnecessary movements of gold. A lesser production of gold in the near future and the continued monetary demand for gold on the part of the nation would lead to disastrous effects on the general world price-level. The mercantile acquisitiveness of gold by nationally-minded States might create deflationary tendencies but the International Bank can by co-operation with other central banks check the evils arising out of such situations. Intelligent control over the world value of gold would greatly be facilitated by its action in this direction and the Financial Committee of the League of Nations would undoubtedly facilitate its work by co-operating with this body. It can point out how the Central Banks of the different countries can regulate the volume of internal currency and stabilize prices by stabilizing the value of gold. So long as non-monetary causes such as over-production tend to disturb the general world price-level of commodities the Bank of International Settlements cannot indeed hope to eliminate the economic disequilibrium arising out of *such non-monetary causes*. Such monetary causes as excessive gold nationalism and maldisttibution of gold might lead to financial crises and depression of world prices. The Bank of International Settlements can hope to correct these by securing better distribution of gold or by granting credit or by enabling the Central Banks of other countries to dispense with the necessity of "free gold" over and above the safety margin.†

The present-day tendency amongst the Central Banks is to hold excessive reserves in the gold centres. The Bank of International Settlements can facilitate clearing business between Central Banks and render unnecessary the vast holdings of large stocks of foreign exchange reserves. It can thus perfect the machinery of the gold-exchange standard system to a great extent.

Lastly, the harmonization of political interests even would be secured by its action. It can afford to act as a mighty engine promoting international peace, goodwill and amity amongst the different nations. The internationalization of finance‡ is a potent *and practical means of disarming the nations* and creating the "international mind" and the needed goodwill to secure peace.

THE ORGANIZATION OF THE BANK.

The total issued capital was $100 mil. and one-fourth of it was called up at first, *viz.*, the actual paid-up capital was $25 mil. The *different Central Banks or banking group* of the following seven countries were given the original privilege to subscribe to the shares.§ The present Board of Directorate consists of the Governors of Central Banks and nominated members possessing requisite commercial, industrial and financial knowledge and 25 directors assemble to conduct its deliberations.

The Head Office of the Bank is in Besle, Switzerland. Freedom from local taxation and a suitable legal status have been granted to the Bank.¶

Adequate provision for the formation of a Reserve Fund has been made by the bye-

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*The following statement from the Protocol makes this clear:—"It is to promote the co-operation of Central Banks and to provide additional facilities *for international financial operations and to act as* trustee or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned." See Article 3, Chapter I, of the Statutes of the Bank.

†Sir J. C. Stamp says that "shortage in the future supply of gold can be counteracted by the Bank of International Settlements *which can create a safe* superstructure of international credit." The Bank of International Settlements might one day say "Here are countries A.B.C.D. who are not doing as well with the gold reserve as we know from experience they could, depriving the world unnecessarily of a much-vaunted supply. We *will ourselves construct on the basis of gold* deposited with us, a supplementary supply of credit to equate, to negative, to offset, to correct these faults in those errant nations." See his Lecture before the Stable Money Association, 6th June 1930, at the Harvard Club, New York City.

‡W. H. C. Laves says: "The Bank of International Settlements *should be the international financial organization* caring adequately for the interests of the debtor nation and world-order as a whole, just as the Mandate System to-day attempts to look after the welfare of native populations and international well-being." See August, 1931, *American Political Science Review*.

§The Central Banks *of Sweden, Switzerland*, Holland, Austria, Bulgaria, Danzig, Czechoslovakia, Finland, Greece, Hungary, Poland and Rumania have also been invited and they have subscribed shares. The original members were the Reichsbank the Banque de France, *the Bank of England*, the Banque Nationale de Bulgique, the Banca d' Italia, the Bank of *Japan*, and a Federal Reserve Bank or some other American financial institution.

¶See Article 6 of the Charter granted by the Swiss Federal Government.

laws which insist that a quarter of the profit will be added to the reserve fund of the Bank *until it forms half of the paid-up capital.* After reaching this position one-tenth of the *profits is to be added to the reserve till it is* two times the paid-up capital and so on, according to Section IV of Chapter XI of the Bank Charter. Provision for a dividend of six per cent is made and the surplus profits have to be disposed off according to the above plan.

SOME DETAILS OF ITS WORKING.

Broadly speaking, there are three main departments in its tructure. The Banking Division consists of those departments which conduct foreign exchange business and the receipt of deposits and the making of investments. The Second Department deals with the relations of the Bank of International Settlements with the Central Banks. The conducting of research in monetary problems and the centralizing of information are parts of its duties. The Third Department is the Secretariat General which deals with administrative duties. The bulk of its deposits consists of the deposits *of Central Banks as regards their foreign* currency reserves and deposits on behalf of their *treasuries are also made by the Central Banks.* The paid-in capital and permanent deposits arising from the Hague agreement substantially augment the total working capital. Neither Governments, nor individuals, nor private banks can make any current account deposits with the Bank of International Settlements, if the Central Banks of other countries were to object.*

The securing of the Bank's assets is subject to the fundamental aims it means pursuing. These can be recounted as (1) the regulation of the exchange, (2) the acting of a reserve centre for Central Banks, (3) the improvement of world credit by facilitating international credit and the free circulation of capital.

WHAT ARE ITS ACHIEVEMENTS?

Although it is too early to decide how far it has realized its aims and objectives still it must be candidly admitted that something notable has been achieved in the two following directions. Firstly, it has greatly tended to facilitate the international flow of short-term funds into the long-term capital market.†

Again its short-term investments are distributed all over the world and in such far-off *centres as Tokio, Rome, Prague, and* Helsingfors. Though full one-third of its working *capital consists of fixed deposits payable* at the end of 37 years, the time length of its *investments never exceeds over two years.* "Roughly one-tenth of the deposits is invested for a period of six months. The bulk of the investments is purely of such character as are payable at sight or within three months." The main motive of the investment policy is not to gather profits but to facilitate world trade and commerce. The aim is to "move capital from the superabundant markets to those centres where it is actually needed. The equalization of the interest rates at the different centres is another main objective. The movement of funds is sometimes done expressly to help these currencies, which are also executed in such centres where credit instruments are entirely lacking.*

Secondly, there has been vast improvement in the field of international Central Banking co-operation. Hitherto the sole practice among the Central Banks was to maintain deposit accounts with one another and exchange credit information if needed. The practice of earmarking gold, of investing foreign balances for each other and of exchanging information also existed. Instances of mutual help and co-operation existed since the nineteenth *century.† But the Bank of International* Settlements performs this work and is now "*the outward visible sign*" of systematised and organized Central Bank co-operation.‡

But no attempt has thus far been made to increase world trade by financing such projects in undeveloped countries which would lead to the development of foreign trade.

*See Articles 20 to 25 for the business which can and which cannot be transacted by the Bank of International Settlements. See Charter of the Statutes.

†See *the Second Annual Report of the Bank of* International Settlements, 1932, p. 7.

*See the article entitled "The First Six Months of the Bank of International Settlements" by G. W. McGarrah, President of the Bank of International Settlements in the Proceedings of the Academy of Political Science, Vol. XIV, No. 2, January 1931.

†The Bank of France oftentimes helped the Bank of England and other Central Banks of Europe. The *Financial Committee of the League of Nations* helped the currency reorganization of several countries and inter-Central Banking co-operation was one of the methods used to stabilize *the lira, the zloty* and *drachma*. The Informal and Secret Conferences of the Governors of the Bank of England and the F.R. Bank of New York, the Bank of France and the Reichsbank carried the movement a step further. The 1927 Washington Agreement was entered into with the sole object of securing Central Bank co-operation. No Central Bank is to embarrass the gold holding of another Central Bank by withdrawing its balances from it.

‡See *the Article Bank of International Settlements*, "Twenty Years Hence" p. 89, *ibid.*

With the acquisition of long-term deposits the Bank of International Settlements might form a syndicate for developing world trade. This promoting activity has not yet been taken up. For the present it is confining itself to trusteeship, agency work and Central Bank business. But Governor Norman's apprehensions are indeed justifiable. He wisely remarks, "There are vague references to all sorts of things which might be done towards rebuilding the world. How they are ever to be carried out I have not the slightest idea. What they precisely mean I do not know; they are continually mentioned especially by those countries who feel the need more than others of some further development".*

What about the Future?

Even if the reparation payment were to be completely executed and its primary object smoothly and efficiently discharged the *Bank of International Settlements*† *will not* be wound up. The other functions will remain as the main objectives and the Bank of International Settlements will remain as a constructive guide to the Central Banks in the field of international credit co-operation. It can easily act as a missionary of sound finance in international matters.

But the task of making Reparations payments would act as a drag in the initial years of its operations‡ and would tend to place it under the guidance of expert economists and officers responsible for the payment. As the London *Statist* puts it, "it has acquired a spirit of hostility and suspicion which has surrounded the Reparations payments which is being manifested in the petty squabbles for the location of the Bank.* The outburst of nationalism on the part of the States would create difficulties.†

Secondly, the possibility of political influences being exerted has to be reckoned. So long as the power of appointment of officials is in the hands of the Central Banks the elimination of political influence can be expected, but *it might not be realized in actual practice.*‡

Thirdly, the financial circles of London are somewhat jealous of the Super-Central Bank. They are naturally anxious for the maintenance of the world's financial leadership in London as before. Devoid of the American Government's moral support it is bound to have reduced strength and if London's financial interests become apprehensive, they would easily undermine the influence of the new bank. But if the new bank confines itself to the pure functions of a "Clearing House", "Exchange Reservoir" and "Helpful Factor" in the matter of enabling nations to pay their international indebtedness, there is no reason why it should rouse the jealousy of the financial interests of London. Neither *its growing acceptance business nor investment* business is going to be adversely influenced. London's financial hegemony over the British League of Nations, as the Economic Empire is termed, is certainly not at stake.¶ So long as the real spirit of the terms of its constitution is understood and adhered to and no encroachment on the business of the Central Banks of other countries is forthcoming in actual practice, there would

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*See his Evidence before the Macmillan Committee, Vol. II, p. 298.

†The Lausanne Conference has almost "killed" the Reparations item and the War Debts are "about to be killed". See my paper "Economic Implications of the Lausanne Conference" *read before the* Bengal Economic Society, 14th September 1932.

‡Since these lines were written there has been a pronounced fall in prices and Germany has pleaded inability to pay the conditional part of the annuity. The Young Plan removed the clause in the Dawes Plan which made explicit provision for variations in the gold price-level. The Bank of *International Settlements* promptly appointed the Basle Committee to draw attention to this feature of abnormal fall in prices and the consequent inability of Germany to pay the reparations payments as a result of unstable economic conditions. A committee of Governmental experts would soon examine afresh the inter-allied indebtedness problem. Either a writing down of the *debts* would take place or a rising level of world prices would be engineered or consciously furthered.

*See the *Statist—International Banking Supplement*, 1929, Since these lines were written the political payments *are about to be written off completely* as a result of the Lausanne Agreement.

†Sir C. S. Addis says, "The broad internationalism of the Bank of International Settlements is a source of weakness as well as a source of strength. For no two nations argue in the same plane and there is always the danger of attributing to bad faith some misunderstanding which may really have its *origin in differing* political constitutions ...... Its members must learn to comprehend and respect the views of others and to acquire the art, by no means an easy one, of accommodating the national temperament to international uses." *Proceedings of the Academy of Political Science*, No. 2, January, 1931, Vol. XIV, p. 103.

‡*France tried to secure its nominees on the Board* so as to allow her to succeed in her political ambitions by making the Bank of International Settlements a tool in its hands. This attempt was frustrated as nominees of Central Banks of neutral countries were selected to the Board in April 1931. See Paul Einzig, "Behind the Scenes of International Finance," *pp.* 63 *to* 65. See *also his third edition of his* book, "The Bank of International Settlements".

¶This is the fear expressed by Dr. W. A. Shaw.

be no resentment nor retaliatory action which might tend to reduce its prestige and lower her influence.

Its Definite Goal.

In the words of the ex-Vice-President Sir C. S. Addis, the considered monetary policy of *the Bank is stabilization* of world prices. "The Board of the Bank of International Settlements will perform a great public service," as he says, "if they do no more than carry on an intensive examination of the dangers of monetary instability and the possibilities of devising means for its mitigation or cure," As Sir Josiah Stamp *aptly* remarks, "What it may safely do lies in the unknown future but the fact that it is a framework and a safe edifice in which thought and experience may proceed and progress is one of the saving features in a situation which is darkly threatening the very basis of civilization itself. *It may in due course develop its own technique* to remedy great shortage of credit in particular nations, by concerted action it may do for all what no one could do for itself."*

Quite recently it passed a resolution recommending the early adoption of the gold standard by all the nations of the world.† The uniform reduction of Central Bank's reserve ratios can be secured as a result of its initiative.

India's Duty.

The *moment* the Reserve *Bank* is started it should apply for membership to this body. Any extra gold resources needed to start the Reserve Bank need not be obtained by floating a loan in the London Money Market but an appeal to the Bank of International Settlements is possible. The primary duty of the Bank is *to assist the Central Banks of other* countries when they attempt to restore the gold standard. As such, India's request for gold loan cannot be vetoed.

Possessing a stabilized currency and working on gold bullion or the gold exchange standard basis India can hope to become a share-holding *member of the Bank of International* Settlements. This would be the case as soon as the present linking with paper pound sterling is unlinked and India reverts back to a gold standard. Indian nationalists versed in finance, exchange and currency matters might be deputed as representatives of the Indian banking system.

The statutes of the Chartered Reserve Bank should permit it to count the current account deposits it makes in the hands of the Bank of International Settlements as part of its statutory reserve. Having given the status of gold reserve to these deposits it should not *shrink from exercising the* rediscounting* privilege so that an elastic system of credit expansion can be raised in this country when needed by the exigencies of trade demand. Short-term loans can be secured on gold or approved short-*term* securities which are of course currently marketable. This process would enable the Central Reserve Bank to make a fuller use of the gold reserves than would otherwise be the case. Some of the investment funds might be handed over to the Bank of International Settlements for *securing ideally safe international investments.*

The earmarking of gold and the use of credit granted by the Bank of International Settlements would also facilitate the payment of our international indebtedness without shipping actual gold. So long as the gold exchange standard system† based *on London* currency is worked London would be the best *external* centre in which our exchange reserve has to be piled up. If this were to be the case, the above earmarking of gold would be unnecessary. But if an independent and real gold bullion standard *were to be in operation, this method of* clearing international indebtedness would be extremely helpful.

The Reserve Bank has to act as the agent and correspondent bank of the Bank of International Settlements.

The Central Reserve Bank would undoubtedly *gain much by securing a real insight* into the international monetary situation and credit problems. The exchange of information and advice itself would be very valuable.

Apart from the advantage of participating in the cumulative *distribution* of the profits of the Bank, Indian economy stands to be benefited in several ways.‡

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*See his *Papers* on "Gold and the Price-Level," p. 38.

†See *Resolution dated July* 11, 1932, of the Board of the Bank of International Settlements.

*On June 25, 1931, the Bank of International Settlements granted a rediscount credit of $100 millions to help the Reichsbank. As the whole of this credit became exhausted within a month the financial crisis of July 1931 could not be averted.

†The recent Report of the Gold Delegation has done *substantial* service in the direction of popularizing the pre-war G. E. Standard basis as "a useful *currency system for many countries*". See paras 215 to 221.

‡Paper read before the Indian Economic Conference, Delhi, on 3rd January 1933.

Mahatma Gandhi's Views on Machinery.

By C. B. L. Mathur, M.A.

Perhaps there is no subject on which there is greater misunderstanding in the minds of the public regarding Mahatma Gandhi's views than on that of machinery. It is this misconception which has led some people to use such expressions as "reactionary" for his views. While other critics have questioned as to why the Mahatma uses a number of things made by machines when he is against them. These critics do not understand what really he means when he speaks against machinery.

Mahatmaji is not opposed to any machinery as such provided it is used morally, *i.e.*, with absolute non-violence. He deprecates only the unscrupulous and immoral use of it. It will be used immorally, for example, if it leads to the exploitation by a people of its own people or the people of another country, if it deprives the masses of their legitimate occupations of the masses without providing them with anything to make up for the loss, if it leads to unhealthy, dangerous and vicious conditions of work and if it produces oppressive monopolies. The case of India is before us. Here the use of machine-made piece-goods deprived the agriculturists of their only subsidiary industry and threw out of employment millions of spinners, carders, sizers, weavers, etc., without providing them with any substitute industry to engage in, and therefore leading to the utmost poverty and destitution. Such use of machines, Gandhiji points out, is immoral and should be avoided.

Mahatma Gandhi.

Unhappily, at present moral progress has not kept pace with the scientific progress. In some respects we have degraded in morality, while science has advanced with breathless speed. Under such conditions it is evident that there is always the apprehension that science may be used to the detriment of humanity and in violation to the principles of morality. In fact, this very thing is happening in the world at present. Mahatmaji, therefore, lays strong emphasis on the moral aspects of the scientific inventions. He will always welcome the inventions, *e.g.*, the telegraph, the telephone, the radio, the automobile, the steamships and the airships, provided they lead to the spiritual, cultural and material advancement not of one nation at the expense of another, but of all the peoples of the world together and promote real friendship and love among humanity.

Mahatma Gandhi held originally very strong views on the abolition of machinery but he has gradually modified them. It will be interesting to trace the changes which have taken place in his views. In 1908, he wrote in a pamphlet entitled "Indian Home Rule", "Machinery is the chief symbol of modern civilization, it represents a great sin." But in 1921 edition he modified his remarks as follows:—"Still less am I trying to destroy all machinery and mills. It requires a higher simplicity and renunciation than the people are to-day prepared for."

Again he wrote in 1921 in an article in

Young India, "Do I want to put back the hand of the clock of progress? Do I want to replace the railway by the country cart? Do I want to destroy machinery altogether? These questions have been asked by some journalists and public men. My answer is: I would not weep over the disappearance of machinery or consider a calamity. But I have not deigned on machinery as such. What I want to do at the present moment is to supplement the production of yarn and cloth through our mills, save the millions we send out of India and distribute them in our cottages."

Further, in reply to question of a correspondent Mahatmaji wrote in July, 1924. "I am personally opposed to great trusts and concentration of industries by means of elaborate machinery. But at the present moment I am concerned with destroying the huge system of exploitation which is ruining India. If India takes to Khaddar and all it means I do not lose the hope of India taking only as much of the modern machinery system as may be considered necessary for the amenities of life and for life-saving purposes."

Again in his presidential address delivered at Belgaum in December, 1924, he stated, "I wish, too, you would dismiss from your minds the views attributed to me about machinery. In the first instance, I am no more trying to present for national acceptance all my views on machinery, than I am presenting the whole of my belief in non-violence. The spinning wheel is itself an exquisite piece of machinery. My head daily bows in reverence to its unknown inventor. What I do resent is the wanton and wicked destruction of the one cottage industry of India that kept the wolf from the doors of thousands of homes scattered over a surface 1900 miles long, 1500 miles broad."

Furthermore he expressed the following ideas in another article on machinery:—"Machinery has its place; it has come to stay. But it must not be allowed to displace the necessary human labour. An improved plough is a good thing. But if by some chance one man could plough up by some mechanical invention of his the whole of the land of India and control all the agricultural produce and if the millions had no other occupation, they would starve, and being idle, they would become dunces, as many have already become. There is hourly danger of many more being reduced to that unenviable state. I would welcome every improvement in the cottage machine but I know that it is criminal to displace the hand labour by the introduction of power-driven spindles unless one is at the same time ready to give millions of farmers some other occupation in their homes."

Again in reply to a correspondent's question, "Are you against all machinery?" Gandhiji remarked, "My answer is emphatically, No. But I am against its indiscriminate multiplication. I refuse to be dazzled by the seeming triumph of machinery. I am uncompromisingly against all destructive machinery. But simple tools and instruments and such machinery as saves individual labour and lightens the burden of the millions of the cottagers I should welcome." He has expressed his still more recent views in the following words: "I do not believe that multiplication of wants and machinery contrived to supply them is taking the world a single step toward its goal .... It (spinning wheel) does not seek to destroy all machinery but it does regulate its use and check its weedy growth. It uses machinery for the service of the poorest in their cottages."

It is thus abundantly clear that Mahatma Gandhi is not against all machinery. "What I object to," he so very lucidly explains himself, "is the craze for machinery, not machinery as such. The craze is for what they call labour-saving machinery. Men go on saving labour, till thousands are without work and thrown on the open streets to die of starvation. I want to save time and labour, not for a fraction of mankind, but for all. I want the concentration of wealth, not in the hands of a few, but in the hands of all. To-day machinery merely helps a few to ride on the backs of millions. The impetus behind it all is not the philanthropy to save labour but greed. It is against this constitution of things that I am fighting with all my might."

Gandhiji advises the use of such machines as can be worked by the villagers in their cottages, *e.g.*, the Singer Sewing Machine. But then huge machines will be required for manufacturing such machines. Mahatmaji says that he is socialist enough to allow that the factories for carrying on primary engineering or key industries should be nationalized or State controlled. Moreover, these factories ought to be working under the most ideal and attractive conditions, not for profit but for the benefit of humanity, love taking the place of the greed as the motive.

The number of Mahatmaji's critics on the subject of machinery is now far less than

what it was when he originally expressed his views. The critics have now realized what Gandhiji foresaw and wrote nearly three decades ago. The Great War has concretely demonstrated how machinery can be used to the detriment of human life and property. The increasing number of accidents, attended with danger to the life of human beings, has shown that there is a strong dark side also to the modern means which provide comfort and convenience to them. Lastly, the army of the unemployed *in all the industrialized countries during* the present industrial depression has made it clear that machinery while it increases the productive power of human beings on the one hand, deprives them of it on the other even to the extent of throwing tens of millions of them out of employment. The realization of all these evil features of machinery has converted many critics of Gandhiji into his followers.

The change which has taken place in the views held on machinery will become apparent from the following words of Mr. Galsworthy :—

"We shall continue to advance backwards unless we operate on our inventors and render their genius sterile until such time as we have mastered, digested and learned to use for our real benefit the inventions of the last century or so, until, in sum, we know how to run our machines of every sort in a sane way instead of letting them run."

Further— to quote from a recent editorial note in the *Leader*—"It is now being argued in the west, that 'machinery has proved to be the enemy of man'. And strange voices are being heard from America. It appears that 'the State Employment Commission in Wisconsin inserted in its contracts a provision that work must be done by hand rather than by machines.' Expressing its approval of this proposal, the American Federation of Labour, according to a report in the British Press, says : 'It is admittedly wasteful, but it is not one-hundredth part as wasteful as the policy of reducing millions of workers and their families to beggary by the use of machines.' In this connection it may be recalled that last year at Philadelphia the city decided to abandon the use of a large number of machines used in some departments of municipal work and use manual labour instead."

It will be, however, idle to totally deny the benefits which have accrued to humanity by the employment of machinery in the production of wealth. Machinery has taken upon itself the unpleasant drudgery and toil which once was the lot of human beings. It has also brought within reach of the poor material comforts which formerly only the rich could enjoy. There is much less difference in the dress worn by the different classes of society, food eaten by them, in the dwellings in which they live and in the amusements they enjoy than it was in the pre-machine age. This equality is very necessary in the present age of democracy when people have got equality in political and social spheres. Without some sort of machinery it will be nearly impossible to produce goods in such quantities as to make them available to all the classes of people. But at the same time machinery should not be employed so as to deprive a section of them of the means of earning their livelihood and thereby to make it hard to obtain for themselves even the necessaries of life. The real problem, therefore, is how to use machinery so that all people may be sure on the one hand of getting some suitable employment, and on the other of enjoying the benefits of cheap commodities in the greatest possible measure. Mahatma Gandhi recommends the use of only simple machinery which can be worked in the cottages of workers. He advocates, in other words, ruralization of industries. He has, however, not developed his ideas on this point and has not indicated to us as to how far it is possible to ruralize the different industries which are being carried on at present in India on the capitalistic system. He lays emphasis on the immediate ruralization of the Indian Cotton Textile industry. We have not been told how machinery ought to be used in the other industries of the country. It is worth while inquiring what changes in the Engineering, Iron, Coal, and Transport industries he will recommend. Perhaps he will let them run with the help of up-to-date machinery but will recommend their nationalization as he is socialist enough to allow it.

There is another aspect of the question of the employment of machinery. At present every country of the world not even excepting Great Britain has adopted the policy of protection of its industries. The policy of every nation is not to purchase the manufactured products of foreign nations but to purchase only the products manufactured by its own factories. The result of this policy will naturally be that every country will lose its foreign markets. A time will come when the market for the products of a country will be narrowed down to its own boundaries.

Then according to the Economic Law that division of labour and specialization of machinery are limited by the extent of market, the reduction of market of a country must lead to the modification of division of labour and specialization of machinery and through them to change in the organization of industries. The trouble at present is that though, owing to the policy of high tariffs, every country has in fact lost most of its former markets, it has maintained and even developed its mass production by the employment of highly specialized and standardized processes and machines. The inevitable consequence is over-production and unemployment. It is really difficult to understand why the experts are advocating further rationalization of industries when the markets have been reduced by the erection of high tariff walls by the countries. What ought to be done is that simultaneously with the reduction of markets, the countries should change their system of production which will have to be done by making changes in the way in which machinery is being used. Mahatmaji's suggestion of cottage industries will partly meet the situation.

This ruralization of industries will also eradicate another evil of machinery, *viz.*, the high frequency of accidents affecting human body. It will scatter the industrial population which is concentrated in the cities and thus decrease the number of risks to which hunan beings are exposed not only in the mills but also in heavy traffic of the streets.

To sum up: Mahatmaji does not desire abolition or eradication of machinery. What he advocates is its limitation and control. Even as we regulate or curb our passions so must we also regulate the use of machinery. That use of machinery is lawful which subserves the interests of all.

Causes of Mortgage Indebtedness in Mysore.

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We have found that the agricultural position of the State is characterized by heavy indebtedness. We have compared our State with other countries and we are convinced that the position of the ryot in Mysore is not, in any way, better than those of his brethren in and outside India.* The load of debt has been increasing day by day and he is more heavily involved in debts than his compeers in India. The salvation of the country in general depends essentially on the improvement of agricultural conditions and hence we have to find out the main causes of this heavy load of debt and remedy the existing defects as far as possible.

It is difficult to point out exactly the main causes of this heavy mortgage debt in the State. It is the result of a series of causes, each contributing to another. Let us examine how far the general causes of agricultural indebtedness (as already explained) apply to Mysore and find out if theres are any special causes peculiar to Mysore as a whole.

I. Poverty.

There is no doubt that our ryots are poor as a whole. In spite of the fact that the State has been doing its best to improve the condition of our ryots, we find that poverty has been a common factor among our peasantry. If the State had not been alert at this stage, the situation would have been miserable. The Governor of a great Indian Presidency, who, speaking of the cultivators of the soil in India, said, "They do not live; they only exist." This is largely true of our ryots also. No improvement in agriculture can be expected so long as the ryots are crushed with poverty. The land over large areas has got to the very lowest point of production through the want of manure. His Highness the Aga Khan describes the life of the peasant of Western India in the following terms which, in their broad aspect, can be applied to the *ryot* in our State also:

"The ill-clad villagers, men, women and children, thin and weakly, and made old beyond their years by a life of under-feeding and over-work, have been astir before daybreak and have partaken of a scanty meal consisting of some kind or other of cold porridge of course without sugar or milk. With bare and hardened feet they reach their fields and begin to furrow the soil with their lean cattle of a poor and hybrid breed, usually sterile and milkless. A short rest at mid-day and a handful of dried corn or beans for food, is followed by a continuance till dusk of the same

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*Vide *The Mysore Economic Journal*, May 1930, pp. 217-20.

laborious scratching of the soil. Then the weary way homeward in the chilly evening, every member of the family shaking with malaria or fatigue; a drink of water, probably contaminated, the munching of a piece of hard black or green *chapati*, a little gossip round the pipal tree, and then the day ends with heavy, unrefreshing sleep in dwellings so insanitary that no decent European farmer would house his cattle in them" (pp. 66-67, quoted in *Problems of Rural India*, 1928. Prof. Nagendranath Gangulee). This description is clearly the picture of a malnad ryot. It is difficult to say whether poverty is the result of indebtedness or *vice versa*. Both are contributory factors to the low economic position of our ryots.

2. IMPROVIDENCE.

In our State also, improvidence is largely responsible for agricultural indebtedness. The expenditures on marriages and other social functions are beyond the means of an ordinary ryot. The striving after maintaining the *izzat* or social position has become very keen among our ryots. True, as Prof. Gangulee says, "while in social matters a great deal of reforms is necessary by way of modifying various external practice that involve heavy expenditure, the place of ceremonies and celebrations in the development of the life of a people cannot be altogether belittled or ignored" (p. 142, *Problems of Rural India*). But these items of expenditure have outgrown their limit and we have to differentiate between necessary and unnecessary forms of extravagance.

The following table illustrates the various unproductive purposes for which these debts are incurred:—*

Purpose	Simple Mortgages		Usufructuary	
	No.	Amount Borrowed	No.	Amount Borrowed
		Rs.		Rs.
1. Marriage and other social functions ..	528	85,375	40	5,745
	14.78%	7.68%	7.16%	2.89%
2. Maintenance ..	103	13,338	18	3,200
	2.88%	1.2 %	3.22%	1.61%
3. Miscellaneous ..	431	86,163	81	16,868
	12.07%	7.75%	14.51%	8.48%
4. More than one ..	507	2,03,830	104	41,865
	14.23%	18.33%	19.68%	21.09%
TOTAL ..	1569	3,88,706	243	67,678
	43.96%	34.96%	44.57%	37.07%

3. INHERITED DEBT.

Undoubtedly our ryots are burdened with ancestral debts. It can be stated that 50 per cent of our ryots are involved in prior ancestral debts. These debts run from generation to generation. The viles of the money-lender, as well as the inefficiency of agriculture due to the low agricultural production, are largely responsible for these ancestral debts.

The following table illustrates the position:—

Name of Taluk	Simple				Usufructuary			
	No.	Amount Borrowed			No.	Amount Borrowed		
		Rs.	A.	P.		Rs.	A.	P.
1. Mysore ..	611	2,86,350	2	0	177	81,476	0	0
	34.8%	42.3%			45.8%	55.3%		
2. Madhugiri ..	307	96,802	0	0	38	11,277	0	0
	51.08%	62.56%			57.6 %	70.4%		
3. Hassan ..	327	72,662	0	0	46	15,396	0	0
	29.14%	36.52%			47.91%	63.57%		
4. Sagar ..	52	41,493	0	0	7	7,237	8	0
	56.52%	51.42%			70.0 %	68.51%		
TOTAL ..	1297	4,97,307	2	0	269	1,15,386	8	0

*The investigation was conducted in 1928-29 and some of the statements made in the course of this article apply only to that year.

4. AGRICULTURAL LOSSES.

As in India, in our State also, agricultural losses are due to the caprices of the season, famines, diseases and mortality of cattle. Rainfall does not come timely. Floods or drought have been a common feature. The four maidan districts—Kolar, Bangalore, Tumkur and Chitaldrug, which occupy 49 per cent of the total area and 51 per cent of the population of the State, are backward in point of rainfall and in water-supply both for irrigation and for drinking. The dry cultivation depends wholly upon rainfall, and the wet on tanks filled by rains. The rainfall is utterly unsatisfactory in several ways, being untimely, capricious, disappointing at the critical time and causing continuous anxiety to the cultivator, who cannot be sure of the harvest till it actually comes to his hands. Tanks do not fill regularly each year, and wet crops under tanks are successfully raised only at intervals of two or three years. The malnad districts of Kadur and Shimoga, though blessed with heavy rainfall and seasonable monsoons, have in recent years been declining in population and exhibiting other signs of retrogression of prosperity. Thanks to the efforts of the people and the Government, conditions in the malnad are showing signs of improvement now. Veterinary aid is not lacking in the State, but there is still room for the expansion of the movement as a whole. Diseases such as the Influenza and the Plague, have taken a heavy toll among our ryots. In short, it can be stated that the adverse economic position of our ryots, due to the caprices of the season, diseases and mortality of cattle is largely responsible for the heavy agricultural indebtedness in the State for the past 25 years.

5. IMPROVEMENT OF CREDIT.

We cannot attribute the improvement of credit as being responsible for the heavy indebtedness of our ryots. Except the Mysore Bank, we do not find any other private agency giving credit facilities to our people. Though there are some other private banks in the State, they do not operate on a large scale and their transactions also are not very businesslike and honest. The growth of the co-operative movement is only a recent phenomena and we cannot altogether overlook the benefits it has conferred on the people.

But throughout the State we find that cheap and uncontrolled credit is financed by a regular chain of money-lenders and the illiterate ryot cannot resist the temptation to borrow.

6. LEGAL CHANGES.

It is no doubt true that this is a contributory cause to the problem on hand. Imbued with a false sense of honour, our ryots are prone to spend a large sum of money for mere love of litigation. Factions in the village are very common. Even the minutest fraction of an acre is fought up in the court. They are absolutely blind to the enormous amount of expenditure involved in attending the courts, paying lawyer's fees, etc. There is no doubt that the power of the money-lender is also increasing in the State, as a result of the existence of law and order in the country. Checks are applied only recently to his power and the ryot-debtor is also given protection by the courts. A reference will be made to this, in the next part of our study.

7. SUB-DIVISION AND FRAGMENTATION OF HOLDINGS.

Indebtedness is largely due to fragmentation and sub-division of holdings in our State also. It has been already made clear that intensely fragmented plots become irregular and uneconomical, and lead to a waste of time and labour, of cattle power and manure. As Dr. Radhakamal Mukherjee points out "The small size of the holding means also small security for the cultivator and hence a higher rate of interest for the agricultural capital he borrows." (*The Rural Economy of India*, 1926, p. 35.)

The following table shows the size and number of the holdings in our State :—

Holdings	below	1 acre		..	93,412
,,	between	1 and	5 acres	..	481,238
,,	,,	5 ,,	10 ,,	..	262,877
,,	,,	10 ,,	50 ,,	..	196,475
,,	,,	50 ,,	100 ,,	..	19,546
,,	,,	100 ,,	500 ,,	..	2,780
,,	above	500 acres		..	96

Nine per cent of the holdings are of less than 1 acre, which cannot afford a living by itself. About 46 per cent are between 1 and 5 acres and another 35 per cent between 5 and 10 acres, bringing up the total of holders owning less than 10 acres to fully 80 per cent. "It is not known how these holdings are made up, that is, how much is made up of dry land, how much wet and how much garden land. But taking even a liberal view of this aspect of the matter, knowing as I do the precariousness of farming in our State, these figures to my mind reveal the exceedingly hard conditions under which the man who depends only on the land lives in our State. For a farmer with an average

family to wrest a living from an average holding must be a perpetual struggle: and when it is remembered that land is about the sole means of his livelihood one cannot wonder that the raiyat has to be satisfied with a very low standard of living indeed." (*A Note on the Consolidation of Holdings in Mysore*, by Mr. A. K. Yegna Narayana Iyer, M.A., Dip. in Agri. (Cantab.), N.D.D., F.C.A., p. 21.)

8. INCREASE IN INFERIOR CLASS OF MONEY-LENDERS.

There is no doubt that the increase in inferior class of money-lenders is largely responsible for the heavy mortgage debt in the State. There is a regular net-work of money-lenders in all the villages of the State, carrying on a pernicious trade. Besides charging high rates of interest bordering on usury (48 to 60 per cent) they wield enormous power over the rural folk. The rise of the money-lenders among the agriculturists themselves has accentuated this problem. The whole mercantile and economic life of the country is coming under the all-pervading influence of the Marwari. The possession of land has become an adjunct to social prestige and the poor ryot is encouraged to borrow more and more, provided he has sufficient security to offer.

9. INCREASE OF POPULATION.

The growth of population in India is a serious problem. This would not have been a serious factor at all, if only agriculture was in its normal condition In Mysore the situation is not in any way better than other parts of India. The pressure of population upon cultivation is fairly intense, due to the meagreness of non-agricultural forms of employment in the village. But the conditions of our peasantry cannot be ascribed to over-population so long as the potentialities of agriculture are not explored properly.

10. LOSS OF ECONOMIC EQUILIBRIUM.

There is no diversity of occupations among our ryots. All the village industries have become things of the past. During times of leisure, the ryot has no other occupation, which would supplement his agricultural income. The indigenous arts, which had a charm of their own, no longer exist. There is no doubt that this defect has also contributed to the increase of agricultural indebtedness in the country.

11. DRAIN OF POTENTIAL CAPITAL

This is a problem that concerns India as a whole. However, it can be pointed out that rich European Coffee-planters have settled in the country. There is no liquid capital available to our ryots, whereas the European Coffee-planters are financed sufficiently from big European firms.

12. SPECIAL CAUSES.

There are no special causes peculiar to our State alone, except that the conditions of the malnad have accentuated the intensity of the problem. Briefly they are:—The insanitary conditions of life due to malaria and other diseases, the extreme poverty of the ryots, the peculiar social customs like the *thera* system of marriage and the wiles and tricks of the money-lender. The malnad ryot is, therefore, very heavily indebted and it is no wonder that he has become a slave to the *sowcar*.

On the whole, it can be stated that the apparent paradox "Debt as a sign of prosperity" (which will be explained in the next part of our study) cannot be applied to Mysore as a whole. These debts are not, in any way, productive. They are due to adverse economic circumstances in the country, coupled with the complexities of Indian social life.

A further application of sludge gas for industrial power is contemplated in Birmingham. It is a form of economy which has been developed with great success at the sewage disposal works of the Birmingham Tame and Rea District Drainage Board, and authority is now being sought for its adaptation to the system of sewage disposal in use at Tipton, in the Black Country. According to the results of tests which have been laid before the Ministry of Health by the local authority a gas of a calorific value of 700 B.Th.U. per 1,000 cubic ft., compared with 500 units in the case of ordinary town gas, can be collected from the sludge in sufficient quantities to operate all the gas engines at the sewage disposal works. The cost of the scheme is estimated at £5,170. Against this £500 a year will, it is expected, be saved in power cost.

John Scott Lidgett wrote years ago: "Can any education be too good for the industrial classes?" Are we doing our duty by our industrial classes in India? That is the question that confronts us to-day when we think of the industrial advancement of the country as a whole

Economics in the West.

Monetary Implications of the War Debt Payment.

London, January 1, 1933.—On December 15 the British Government paid to the United States Government the sum of 95½ million dollars in gold. Although this was an inter-Governmental transaction, its probably unprecedented size and the means by which it was completed suggested important consequences in monetgary affairs, and we propose, therefore, to examine briefly what happened and what may happen as the direct or indirect outcome.

Since the British Government, so far as is known, possessed no gold of its own, and since the Bank of England, which holds the only sizeable stock in the country, is not compelled to sell gold when called upon, the provision of the means of payment was a matter of arrangement between the Government and the Bank. The Bank provided the required amount of gold, which had been held in its Issue Department at the statutory valuation of £3 17*s.* 10½*d.* per standard ounce, and the Government paid the Bank for it at that price. Thus the Government had to hand to the Bank about £19½ millions of securities, presumably Treasury bills, in exchange for the same amount of gold.

At this point arose a question of some importance. The Issue Department of the Bank is authorized to have outstanding £275 millions of notes against securities, including a small amount of silver coin, together with £1 in notes for every £1 of gold held, reckoned at the statutory price. Unless the £275 millions of "fiduciary issue" were increased, therefore, the total note issue would have to be reduced by £19½ millions on the surrender of that amount of gold. Actually this course was chosen—we shall refer again later to the alternative. But the total note issue, thus determined, consists of two parts: first, by far the larger part is held by the public and by the commercial banks in their tills and vaults; secondly, the smaller part is held in the Banking Department of the Bank of England as reserve against its deposit liabilities. The reduction in the total issue of notes could not at once take effect on the portion held outside the Bank, which is determined by public needs, and the amount had therefore necessarily to be abstracted from the reserve in the Banking Department of the Bank of England.

Up to this point, then, the Issue Department has lost £19½ millions of gold, and has been handed for cancellation £19½ millions of notes from the reserve of the Banking Department. The figures of the Issue Department are therefore balanced. The assets of the Banking Department are £19½ millions lower by reason of the surrender of notes, but this reduction is compensated by an equal amount of earning assets received from the Government in payment for the gold, so that the total assets of the Banking Department are unchanged and its total liabilities unchanged with them. We arrive, then, at the position that the total volume of currency in circulation is unaffected; so also is the amount of bank cash in the form of bankers' balances at the Bank of England. The total volume of money is in no way directly altered by the transaction.

The resultant changes in the Bank of England weekly return are to some extent obscured by temporary movements associated more especially with Christmas and year-end operations, but they are sufficiently clear to be seen. Allowing for transitory variations, the main consequence is that, the reserve in the Banking Department being £19½ millions lower against unchanged deposit liabilities, the ratio of reserve to liabilities has been reduced, roughly from 40 to 25 per cent. The possible indirect effects of the payment to America, made in the manner described, hinge upon this fact. A ratio of 25 per cent might be considered too low: and if it were, there would be two ways of raising it: either deposits would have to be contracted or the reserve increased by the purchase of gold. But gold costs far more than £3 17*s.* 10½*d.* per standard ounce to buy, though it must figure in the Issue Department's return at that price. Hence this course could be followed only if the Government, or some organ of the Government, were to relieve the Bank of England of the difference, or "loss", between the market price and the statutory price of gold. The alternative course would be easy enough to pursue, but might be highly damaging in its effects. The Chancellor's reference, in his explanatory statement on December 14, to the possibility of higher rates of discount for bills as a result of the surrender of gold would appear to have been made in recognition of this possibility. The Bank has only to sell securities in order to

reduce its liabilities in the Banking Department; but this would involve a reduction in the cash reserves of the joint stock banks, a consequent shrinkage in the total volume of their deposits, and a probable tightening of bill rates. It is most undesirable under present conditions that the volume of money should be diminished, and it may therefore be hoped that it will not be thought necessary to strengthen by this means the ratio of the Banking Department's reserve to its liabilities. Until the special circumstances of the year-end have passed it is impossible to see in what direction the policy of the monetary authorities is moving.

This brings us to consideration of what might have happened. Upon the loss of £19½ millions of gold from the Issue Department the reduction of total notes outstanding could have been avoided if the Bank had applied to the Treasury for a corresponding increase in the fiduciary issue, and if the Treasury had granted the application. The result would have been that the securities handed over by the Government in payment for the gold would have gone into the Issue Department to replace the gold: the reserve in the Banking Department would have been unchanged against unchanged liabilities, and the ratio would have remained at about 40 per cent. Other considerations, principally psychological, were held to outweigh the advantages of this course. Nevertheless, it is still open if needs appear to warrant it, though no better opportunity for the step can be visualized in the near future than was presented at the time of the gold payment. This, then, provides another possible means of strengthening the reserve ratio in preference to doing so by contracting the Banking Department's liabilities. Whether it will be followed, or whether it will need to be followed, time alone can show. But at least it is clear that technically there is no reason at all why the supply of money should be curtailed as a result of the gold payment; if that result should follow it will be conclusive evidence that, notwithstanding our departure from the gold standard and the remoteness of a possible return to it, the monetary authorities are still operating upon principles which are proper only to a gold standard system. Credit contraction, if it occurs at all, will be a result, not of the gold payment, but of a psychological time-lag. It is difficult to entertain the likelihood of such a conclusion.

The story of the method of payment has not yet been completed, but the remaining part leads us to consideration of the possibility of further similar payments. The Government decided that it ought to debit itself with the full market value, £29 millions, of the gold handed over to the United States. Accordingly, having paid £19½ millions, the par value, to the Bank of England, it paid the balance of £9½ millions to the Exchange Equalisation Account. It will be recalled that one of the functions of this Account, which is operated by the Bank of England purely as agent for the Government, is to bear "losses" and take "profits" on transactions in gold. Thus the total charge to the Exchequer on account of the debt payment was £29 millions—the value in the exchange market of 95½ million dollars—and of this sum £19½ millions went to the Bank of England as payment for the gold and the remainder, presumably also in Treasury bills to the Exchange Equalisation Account as the Government's "loss" on the gold purchase.

We are not concerned at the moment with the relationship of the transaction, and possible successors, to the national accounts, though the importance of this aspect of the matter is obvious. We consider here the monetary implications, and on that part of the subject a statement by the Chancellor regarding the payment to the Exchange Equalisation Account is especially significant. The sum of £9½ millions, he said, "will remain as an asset" in the Account "until it is required for the purpose of buying gold again at the current price of the day." If, now, it is decided that further payments to America shall be made in the same manner as the last, two methods of acquiring the gold are possible, on the assumption that the Bank of England's existing stock should not be drawn upon to the full extent of the remittances. First, the Exchange Account itself might buy gold. It would have to pay the market price as the gold was acquired, and it would be paid by the Government presumably at the rate operative on the day of remittance, so that its "profits" or "losses" would be limited by the fluctuations in the gold exchange value of sterling, which determines the sterling price of gold in the open market. Such operations would be veiled in secrecy, as the Account issues no returns or statements of any sort, and the monetary effect, since the Bank of England's position would not be touched, would be nil.

The second course is that the Bank of England might buy the gold. It would have to

pay the market price, but could issue notes against the gold only at its par price. Thus, if during a period of six months it bought £10 millions of gold, reckoning at par, it would pass the gold into the Issue Department, and £10 millions of notes would be handed over to the Banking Department, strengthening its reserve by that amount. But, the Bank of England having paid perhaps £15 millions for the gold, that sum would be added to its deposit liabilities, leaving a gap of £5 millions on the assets side of the Banking Department's statement. The gap would be filled by the transfer to the Bank of £5 millions of securities, probably Treasury Bills, from the Exchange Account. The immediate result of the whole operation would be a much enlarged cash basis for the deposits of the clearing banks and a strengthening of the ratio of the Banking Department's reserv to its liabilities. But, since the procedure would be undertaken solely in preparatione for a large surrender of gold, the Bank would presumably off-set the periodical additions to bank cash by selling securities. Thus its reserve ratio would be still further raised until the remittance took place, when it would relapse to its former level. On the whole, therefore, it seems unlikely that gold purchases on this method would have any marked effect on monetary conditions, and it remains true that in the last resort the volume of money outstanding is determined by the policy, translated into action, of the Bank of England.

From this it would appear that payments could be made in gold almost indefinitely without any substantial effects, one way or the other, upon monetary conditions within the country. Incidentally, the operation need impose little or no net charge on the Exchequer. Either of the processes described for acquiring gold might be financed, not out of revenue, but by increases in the Government's sterling indebtedness, and such increases could well be of a kind that would bear little or no net interest. The increase in the debt could thus be almost entirely nominal. It follows that neither the monetary nor the financial effects of such payments would be as important as the economic. But in the longer view of monetary affairs this at least is clear. The system of paying in gold, as we have described it, can be maintained largely because there is now so little demand for gold and so few ultimate and involuntary buyers of it, while at the same time the available supply in the market has greatly increased. These conditions are present, again, because so many countries have left the gold standard, and it follows that they would pass away in the event of a general return to gold. Further, a return to gold by this country would mean, in view of the necessity of building up and maintaining an adequate gold reserve, that we should be quite unable to buy up and ship to America each year an amount of gold approaching one-half of the annual product of the whole world's mines. Consequently, the system of gold payments to America on account of war debt can be operated only so long as a number of important countries remain off the gold standard: it defers indefinitely a return to gold by this country. There can, indeed, be no general return to gold so long as war debt payments to America have to be made in the form necessarily adopted by Great Britain last December. This is perhaps the most important lesson of the payment both to ourselves and to the recipient of the gold. The transaction marks an epoch either in the history of the war debts or in the determination of the ultimate fate of the gold standard.

The Gold Turmoil.

It is at first sight a strange fact that the wide-spread departure from the gold standard has by no means reduced the volume of international gold movements: on the contrary, they have become very much larger in total and more bewildering in direction. In our last review we outlined and discussed the exceptionally heavy changes in gold holdings occurring in the preceding few months. Even by that time the transactions had reached a total previously unapproached, but since then the gold turmoil, far from abating, has been intensified, betraying a condition of wide-spread public disturbance and distrust.

The table below shows the changes in monetary gold holdings in a number of countries since May 1931. The first three dates used were given in our previous article, and were selected as marking outstanding events in the world crisis; the figures show the stocks held immediately prior to the Kreditanstalt collapse, the closing of the Darmstaedter und Nationalbank, and Great Britain's suspension of the gold standard. To continue the record, figures for three later selected dates

have been added, besides those given in the latest available returns. The dates now chosen do not correspond with spectacular events such as occurred in 1931; nevertheless they mark important turning points. The first coincides with the end of a heavy outflow of gold from the United States; the second marks the beginning of a further large-scale withdrawal; the third is approximately the date when the direction of flow was reversed. The figures for the United States cover the total available gold stock, including that held by the Government as well as by the Federal Reserve Banks. For convenience all the figures are given in sterling, reckoned at par of exchange.

It will be seen that the earlier movements, though unusually large for so short a period, were small in comparison with the changes since that time. The suspension of the gold standard by Great Britain, indeed, seems to have led to a distinct change in the origin of the movements. The increase in the gold stocks of the United States, France, Switzerland, Belgium and the Netherlands prior to that time were a symptom of the financial disturbances which followed the breakdown of the Kreditanstalt. The motive, generally speaking, was to strengthen cash reserves in face of the prevailing uncertainty as to the future of continental financial systems. Along with increased gold reserves, central bank holdings of foreign exchange, so far as the returns indicate, were on the whole maintained. Indeed, the foreign exchange resources of the central banks in France and Switzerland actually increased between May and September 1931, though there was probably a change in their composition by reason of the withdrawal of funds from Germany and Austria, the centres of the banking troubles.

MONETARY GOLD HOLDINGS IN VARIOUS COUNTRIES.
(£ millions at par)

	Germany	Great Britain	Japan	United States	France	Switzerland	Belgium	Netherlands
Immediately prior to May 12, 1931 .	116	148	86	975	148	25	41	37
,, ,, July 12, ,, ..	70	165	87	1,020	453	33	41	41
,, ,, Sept. 20, ,, ..	67	136	84	1,030	472	48	46	55
Net increase (+) *or decrease* (—) *May-September* 1931 ..	—49	—12	— 2	+55	+24	+23	+5	+18
Immediately prior to Oct. 28, 1931	56	136	73	881	514	87	73	69
,, ,, April 13, 1932	43	121*	44	903	619	97	72	74
,, ,, June 23, ,, ..	40	136	44	804	657	104	73	81
At latest available date ..	39	120†	44	893	669	98	74	86
Net increase (+) *or decrease* (—) *since September* 1931 ..	—28	—16	—40	—137	+197	+50	+28	+31
Net increase (+) *or decrease* (—) *over whole period* ..	—77	—28	— 42	—82	+221	+73	+33	+49

*Decrease due to part repayment of Bank of England external credits October 31, 1931.
†Decrease due to payment in respect of war debt to the United States.

In strong contrast to this record, the greatly increased gold movements since September 1931 have been accompanied by a heavy reduction in European central bank holdings of exchange. Moreover, disregarding for the moment the new supplies of gold from the mines and the surrenders from private hoards the sources of the added gold holdings have changed. In the first period most of the gold already in monetary service came from Germany and Great Britain; in the second the United States was the principal source of the supplies. This contrast is indicative of a change in the reasons behind the movements. The suspension of the gold standard by Great Britain, besides intensifying the tendency to strengthen cash reserves, was followed by a period of currency distrust. The lack of faith in financial and political institutions which characterised the earlier period was largely replaced by lack of faith in the ability of currencies still on the gold standard to remain there, and this led to hurried conversion of central bank exchange holdings into gold. Moreover, want of confidence in various currencies was followed by the withdrawal of internationally owned short-term funds and their accumulation in those countries which seemed to offer the best security. This last point applies particularly to the outflow of gold from the United States in the spring of 1932 and the accumulation of foreign funds in France and more especially in Switzerland.

The magnitude of the gold movements brought about by these factors is readily perceived in aggregates. Between September 1931 and the various dates of the latest available returns, four European central banks showed a total gain of more than £300 millions, while the United States, Japan, Germany and Great Britain together lost £220 millions. The difference between the two figures falls short of the world's output of newly-mined gold but the table omits small movements which may be substantial in total. Besides new supplies, large quantities of gold have been surrendered from private hoards in India and to a less extent Great Britain, and these have strongly augmented the addition to monetary stocks which can be counted upon from the mines. In comparison with these additions the absorptions of industry are quite small, though probably a far larger drain has occurred, in the form of private, particularly French, acquisitions of gold.

Over the whole period covered by the table roughly about nineteen months, the additions to the gold stocks shown aggregated about £380 millions, and the losses £230 millions. In all, merely on the net differences shown in the table, nearly one-sixth of the already existing gold stocks of the countries included has been moved during the past year-and-a-half. Even this, however, does not tell the whole story, for the net American movement, in particular, covers large intervening fluctuations. In one month from September 1931, for example, the United States lost £140 millions of gold, equivalent to nearly two years' output of gold from the mines of the whole world.

Thus while international trade during the past two years has continuously declined in volume, gold shipments have become larger and larger. Indeed, the world is steadily moving towards the point where shipowners, especially on trans-Atlantic routes, will be almost as much occupied in carrying gold backwards and forwards to no useful purpose as in moving goods from producer to consumer. The important fact underlying these movements is that gold, even where it is still the standard, has ceased to serve any useful monetary purpose. No longer does it operate to correct disparities between price levels and interest rates in different countries. No longer does it govern the general trend of commodity prices, for gold has continued to appreciate in terms of goods notwithstanding the large additions to the stocks in the gold standard countries and the reduced demand following the abandonment of the gold standard by a large part of the world.

If this were all that is to be said, the frantic exchanges of gold could be regarded as merely ridiculous. When we inquire into causes, however, the matter becomes much more serious. Moreover, the uneasiness and lack of confidence which have been responsible for the major part of the gold movements have been increased by the very intensity of the flow they have created. Gold movements of such magnitude as these cannot fail to have disturbing effects on public psychology in the gold standard countries, and to place an obstacle in the way of all attempts at organized recovery. For this reason a "close season" or "Hoover Moratorium" on gold movements would undoubtedly contribute greatly to successful laying of the foundations of revival throughout the world.

New Capital Market in 1932.

The volume of new capital issues last year was but little larger than in 1931, a year of far more disturbed financial conditions, and remained at a level well below that reached in any previous year since the war. It should be observed at the outset that our figures exclude British Government borrowings and all conversion, redemption and bonus issues as well as short-term bills. They are based upon the prices obtained from investors.

The past year, like 1931, may be divided roughly into two portions. In the half-year to June conditions, particularly in the second quarter, seemed to portend an increase in the volume of new capital raised. However, the total of £74¾ millions was only £3¾ millions higher than in the corresponding period of 1931. The closing of the new capital market during the conversion operations in connection with the five per cent War Loan led to the total for the September quarter being no more than £3½ millions, the smallest figure for any similar period since the war. With the conclusion of the main part of these operations and the partial removal of the embargo on new issues the market resumed activity, but even so, despite the continuance of cheap money conditions, the level reached in October was not maintained. The total of £38¼ millions for the past half-year compares with £17¾ millions for the December half of 1931, when the new issue market was adversely affected by special conditions.

One of the features of the past year's issues has been the *comparative smallness* of the sum raised by financial undertakings, covering investment, trust, banking and insurance companies. On the other hand, as might be expected, the amounts taken by public boards have been substantial, while noteworthy increases have occurred under the heading of *electricity and gas and water, even without* allowing for £15 millions for electricity and £2 millions for water raised by public boards. Comparison of the issues by groups in each of the past three years is made in the following table, where is also given an analysis showing (1) the class of borrower and (2) the *geographical destination of issues during the* past four years. From the latter statement it will be seen that the total of overseas issue was no more than £ 29¼ millions, the lowes level both actually and in proportion to th total for any year since 1920. Issues fo investment in foreign countries have bee almost non-existent, the bulk being f British overseas countries. India an Ceylon accounted for £6¼ millions, Sout *Africa* £7¾ millions, *other British* parts (Africa £5¼ millions, New Zealand £5 million and Canada £2½ millions. The curtailmer of foreign lending, however, is not confine to this country alone, for during the firs eleven months of the year there has been a almost complete absence of any record of suc *issues in the United States.*

New Capital Issues in the United Kingdom by Groups.

	Year 1930 £	Year 1931 £	Year 1932 £
Governments :			
United Kingdom	1,485,000	..	..
India and Ceylon	27,770,000	21,640,000	3,500,000
Other British countries	25,521,188	8,931,600	21,141,880
Foreign countries	12,551,100	240,000	..
TOTAL	67,327,288	30,811,600	24,641,880
Municipalities and Public Boards :			
United Kingdom	44,537,417	10,306,682	32,611,578
India and Ceylon	..	..	1,032,000
Other British countries	2,736,075	..	24,321
Foreign countries	..	..	..
TOTAL	47,273,492	10,306,682	33,667,899
Railways :			
United Kingdom	19,060,625	..	8,524,300
India and Ceylon	..	..	1,253,750
Other British countries	5,549,250	810,000	..
Foreign countries	9,767,934	3,115,369	..
TOTAL	34,377,809	3,925,369	9,778,050
Banking and insurance	10,114,989	136,500	2,017,046
Breweries and distilleries	2,679,767	1,068,150	498,750
Electric light and power	6,802,454	5,899,347	11,862,314
Financial, land, investment and trust ..	12,473,055	8,193,765	3,687,008
Gas and water	9,330,409	2,321,006	6,187,569
Iron, coal, steel and engineering† ..	75,000	2,524,500	1,864,719
Mines	5,485,293	3,951,983	934,093
Oil	8,050,000	..	714,002
Shipping and canals and docks	32,500	2,170,000	155,250
Tea, coffee and rubber	1,345,465	557,664	190,419
Telegraphs and telephones	143,515	..	..
Tramways and omnibuses	1,131,802	2,068,074	235,625
Miscellaneous, commercial and industrial ..	29,516,828	14,731,552	16,603,705
TOTAL	*236,159,666*	*88,666,192*	*113,038,329*

†Including motors and aviation.

The amount of new capital raised during the past year by joint stock undertakings as distinct from those operating under corporate powers has been £38¾ millions, or only £2½ millions short of the total for 1931. A point *of interest is that, owing in part to the cheaper* money conditions, the proportions raised in tl form of fixed debt and share capital respe tively have been reversed as compar with 1931, debt during the past ye accounting for 43.9 per cent and capital f 56.1.

Analysis of New Capital Issues in the United Kingdom by Destination and Class of Borrower.
(£000 omitted)

	1929	1930	1931	1932
Home:				
Public authorities	3,553	46,022	10,307	32,612
Production	80,093	34,867	16,259	25,315
Trade	27,078	10,311	4,661	11,254
Transport	3,696	20,225	4,263	8,932
Finance	44,982	15,931	7,098	5.704
TOTAL	159,402	127,356	42,588	83,817
% of all issues	62.8	53.9	48.0	74.1
India and Ceylon:				
Public authorities	9,100	27,770	21.640	4,532
Private undertakings	1,032	891	829	1,858
TOTAL	10,132	28,661	22,469	6,390
% of all issues	4.0	12.2	25.4	5.7
Other British countries:				
Public authorities	21,518	28,257	8,932	21,166
Private undertakings	22,762	13,128	5,431	1,317
TOTAL	44,280	41,385	14.363	22,483
% of all issues	17.5	17.5	16.2	19.9
Foreign countries:				
Public authorities	4,122	12,551	240	..
Private undertakings	35,813	26,206	9,006	348
TOTAL	39,935	38,757	9,246	348
% of all issues	15.7	16.4	10.4	0.3
Total overseas:	94,347	108,803	46,078	29,221
% of all issues	37.2	46.1	52.0	25.9
All issues	253,749	236,160	88,666	113,038

This, briefly, is the record of a year which witnessed at one time almost complete stagnation in the new issue market. It ends with by no means active conditions, a fact which must be attributed in part to the maintenance for no clearly explained reason of an embargo on particular types of issue. A feature which, however, should not be overlooked and is not apparent from our figures, covering as they do only issues of new capital, is the ability of some borrowers to take advantage of cheap money to convert their stocks bearing relatively high rates of interest into securities carrying a charge more closely related to existing conditions. The extent to which this can be done is limited by the Government's remaining restrictions.

Nine and a quarter crores of capital expenditure for the year 1933-34 have been approved by the Railway Standing Finance Committee of the Assembly. Most of the expenditure included in this programme will be incurred in India, as the portion relating to locomotives and boilers is very much restricted, when compared with the allotment in the previous years. The programme includes purchase of wagons in India at a cost of Rs. 90 lakhs. This is expected to help Indian industries to a great extent. Mr. P. R. Rau, Chairman of the Committee. explaining the programme of capital expenditure and expenditure from the depreciation fund, pointed out that the programme relating to new construction involved an expenditure of Rs. 32 lakhs, as against Rs. 10.5 lakhs in the current year. The whole amount is for the completion of the projects under construction nothing being left over for the future years for the completion of any of these. As for the open line works, the expenditure proposed is Rs. 786 lakhs as against Rs. 1,025 lakhs provided in the current year.

Fixity of purpose often calls for flexibility of method.

Canadian Trade and Finance.

Railroads and Motor Vehicles.

Montreal, December 22, 1932.—To the progress of civilization, the contribution which has been made by roads and railways is no less important than that made by ships. At the present moment, when world trade has been reduced by 60 per cent and when average weekly freight car loadings in a great country like the United States have been cut from 1,049,000 in July, 1926 or 1,038,000 in July 1929, to 483,000 in July 1932, the problems confronted by the railroads are peculiarly difficult. With the history of their loss of passenger revenue following the development of the private automobile, the railroads have been most sensitive to competition from trucks and buses, though these new agencies, as yet, are receiving but a small percentage of the total freight and passenger revenue. On the whole, it seems probable that the solution of these problems lies not in the direction of restriction of competition, but rather in equitable taxation and above all in the restoration of international and intra-national trade to more normal levels.

Introduction.

A history of civilization might be written around its roadways. The little village streets which grew along cow-paths were extended to farms a mile or two outside; they were eventually inter-connected, straightened, widened, made more smooth and permanent. Early road maps show networks around the ports, but until recently there were few long roads connecting distant cities. Chapters in this history would deal with the life of those who built the roads over which the stones were dragged to the pyramids, the romances of the attempt to hold the island of Great Britain within the Roman Empire by building permanent and amazingly durable roads through its savage wilds, and the story of the welding of that empire to the south into the United States of America is closely connected with the extension of stage coach lines into the west and the subsequent growth of the railroads. There were amazing stories of finance in the competition between railways and canals. There is human history in the lives of the road builder, the stage coach driver, the canal barger and the railroad engineer. Most complex emotions have been called forth by the magnificence of the stage coach driver, the scepticism and derision with which the first steam engines were greeted, the almost universal desire of the small boy to become an engineer, the mixture of greed and generosity which has determined the routing of roads and railways, or the bold and almost insolent grandeur of that ruled pencil stroke with which a Czar of Russia determined the path of the Trans-Siberian railways. Out of such materials could be built a far more human kind of history than that which comes from courts and parliaments. Strange contrasts could be drawn between the early attitude of peoples toward those Builders of Empires who constructed the first railways and the later attitude of doubt and suspicion that hedged each railroad about with a thousand rules and restrictions. Once more the pendulum has changed its direction: the plight of the railroads in the present depression is recognized as a calamity in almost every country, and with this latest change in sentiment laws and legal decisions have become more favourable to the railways than for at least two generations.

As countries became conscious of the wealth made possible by the exchange of goods over long distances, they contributed vast amounts to foster railroad building. They gave the railroads privileges, and it was only at a later date, when they had recognized that the monopoly of transportation was an item of capitalized value, that they began to hedge the railways about with restrictions and taxes.

Road and Railroad Competition.

The change from trails to roads, the elaboration of road systems, particularly around ports, the rapid development of the railway, seemed to be a consistent evolution until the appearance of the automobile. In their beginnings, the automobile, the truck and even the bus seemed destined for local travel. Frequently the railroads had reiterated the argument that they handled short-haul traffic only at a loss: that it cost them almost as much to handle freight for a twenty-five mile haul as it did for a thousand miles. Instead of fearing the gas-driven vehicle as a potential competitor they looked upon these new devices as subordinate means of transportation likely to increase rather than to decrease their traffic.

It was not long, however, that the automobile driver was content to wander about

the roads of his own city. As the comfort of his machine was improved and its radius of operation increased, he wished to journey farther and farther afield. Adventuresome drivers visited near by cities; inter-state and trans-continental tours were attempted; the demand for improved roads became popular. Good road campaigns were inaugurated, the wealth of the community itself came to be measured in terms of cars *per capita*. Perhaps the first to suffer from this new device were the country store-keepers. It was relatively easy for local merchants to organize local sentiment against mail order houses, but when the farmer began to drive to the nearby city, gossip no longer supplied the community with the details of all his purchases. With the appearance of the automobile, the customer became independent of local facilities; the day of the general store had passed.

In the meantime, the railroad discovered that passenger traffic had ceased to increase at its old amazing rate. In the summer time, many people no longer used the railroad except for longer trips. With the coming of the closed car, even mid-winter traffic was affected. The private automobile deprived the railroad of an incalculable amount in passenger revenue. It was not the actual decrease in passenger revenue alone, it was also the potential revenue which they might have had were it not for the new competition. It is hard to say whether this loss should be measured hundreds of millions or in billions.

As the roads continued to improve, the local truck driver found that he could carry his goods farther and farther afield at costs which the railroad could not meet. There were two cost items which gave the truck driver a decided advantage—he could load the goods at the source and drive them to their final destination with only two handlngs. As against this, the goods had to be loaded and hauled to the railway, unloaded, loaded on the cars, unloaded, loaded for final delivery and unloaded. Cost of handling and of incidental breakage was all in favour of the truck driver. In the second place, the truck driver paid nothing for his right of way nor for the building maintenance and depreciation of the road bed. The railroads came to realize that here was a subsidized competitor who had broken their monopoly and that their old rate structure, based upon the idea that all freight moving through their territory must use their facilities, ceased to be satisfactory.

At first, the sporadic complaints of the railroads received but little attention and less sympathy. For many years railroad traffic had been expanding at a tremendous rate and railroad earnings had been proportionate. When a railroad put in double tracks they had frequently been able to more than quadruple their income, with only a relatively small increase in capital expense. The wealth of the country, the movement of passengers and most of all the movement of goods, were each increasing so rapidly that the new restrictions upon earnings and other railroad activity never prevented a continued increase in earnings. For many years the earning power of the railroad had been sufficiently consistent so that when long-term money was cheap, the railways had been able to borrow a large part of their capital requirements in the form of bonds and the common stock received what might be regarded as surplus. With the total revenue of the railroads relatively stable, even in times of a fairly severe depression, this form of financing seemed quite conservative: in fact, many roads were financed on a basis such that only a minor decline in earnings would have resulted in a deficit so far as interest requirements were concerned, but the upward movement in traffic was so consistent that operations carried on in this form did not seem unsound.

The Plight of the Railroads.

With the depression of 1930, 1931 and following, the volume of freight handled by the railroads began to fall off at an amazing rate. In these circumstances, the railroad earning power was not sufficient to cover the bond interest requirements. In many instances railroad earning power was so far reduced that they failed to pay their operating costs. This was a new and unprecedented situation. The industries of almost every country in the world are dependent upon relatively cheap transportation. Transportation had to be maintained at any cost. The world was discovering that one of the corner stones of modern civilization was cheap transportation of the type provided by the railways, and that civilization itself would cease to exist if railway services were abandoned. This situation was recognized as being acute in a large number of countries at practically the same moment and investigations were started as to the methods by which the railways could be assisted. In each country it seemed hopeless to raise rates, since rate increases might divert more traffic to buses and trucks.

Increased rates would be an additional burden upon industry at a time when they could not be borne. The obvious solution was to study the relative merits of railway transportation as compared with that furnished by the automobile, bus and the truck, and almost simultaneously investigations into this subject were started in Great Britain, Argentina, the United States and Canada.

The Salter Report on Road and Railway Competition in Great Britain.

By far the best report presented by the various committees which have studied the subject was that prepared under the chairmanship of Sir Arthur Salter in Great Britain. In their hearings it developed that the railways of Great Britain recognized that the automobile and the truck were new agents of civilization and that they had a real contribution to make. In Great Britain the equivalent of about $300,000,000 a year is spent on roads. Automobile licenses, drivers' licenses and taxes on gasoline bring in a revenue of almost $ 60,000,000. The railroads were prepared to concede that the public as a whole should pay for the right of way of the roads according to a long-established custom, but it seemed to the railroads that the competition was unfair if the building of the road-bed itself, its maintenance and renewal were not provided from licenses and special taxes. It was their contention that failure to make the motorist pay at least this proportion constituted unfair subsidy of their competitors.

On the whole, the position taken by the British railways in their plea to the Fact Finding Commission was quite liberal. They recognized that the private passenger car had come to stay and that the truck and bus were making substantial contributions to the facilities of transportation. It was their contention that conditions did not warrant unjustifiable restrictions and that they were willing to compete with the truck and the bus on terms which rendered such competition equitable. Since larger buses and trucks do disproportionately more harm to the road-bed than smaller machines, and since there is a disposition to build wider roads with heavier beds in order to provide facilities for such machines, it was their contention that the share of cost apportioned to these machines should be proportionate. This was done under the plea that the contribution of the various road users should be in proportion to their use and the wear and tear of the roads, and not to have any distinction made between the use of roads for pleasure or business. Their actual assessment was £23,500,000 to commercial goods vehicles, and £36,500,000 to all other mechanically propelled vehicles.

When it came to the allotment of cost between vehicles in the same general group, the difficulties were quite complex. There were some who held that the cost should be proportionate to the weight of the vehicle, and others that it should be proportionate to mileage. In point of fact, taxes of both kinds are already in existence. The truck license is based on weight; the gasoline tax makes an assessment both with relation to weight and mileage. The final decision reached included much larger taxes on heavy trucks and buses in the form of a license, and a further increase in the gasoline tax. In general, the decisions reached were sufficiently liberal so that those who represented the users of the roads were in reasonably close accord with the representatives of the railways. Special concessions were made to trucks doing a purely local business within a specified area, such as the city. In such instances it was felt that there was no conflict with the railroads and that the case made by the truckers was quite sound.

Comparative Conditions in Great Britain and Canada.

England, Scotland and Wales are countries where the population has approached what might be considered at least a temporary maximum. The sixty million people in Great Britain have a total mileage of roads amounting to 177,000. Neither the roads nor the railroads of Great Britain have been built in recent years with a view to developing new natural resources. They do not constitute a government expenditure tending toward increased population. They are not a part of a consistent programme of long-term expansion. In a country where the population is relatively stationary the equation between the cost of a road and the use made thereof is much more clear-cut than in Canada where both our roads and railroads have been developed with a view to expanding the natural productivity of the country. Moreover, the type of road that it is necessary to build in Canada, because of our severe winters, can stand heavier traffic than the kind of road which is essential in England. Since heavy roads are essential because of the Canadian climate, relatively heavier machines may be used in Canada without excessive damage to the road-bed.

As compared with the 177,000 miles of road and the 19,000 miles of railroad in Great Britain, there are 378,000 miles of road and 42,000 miles of railroad in Canada. For sixty million people, to support the road system of Great Britain does not seem to be an extraordinarily heavy expense, but for ten million people to support the mileage of roads in Canada is proving a very heavy load. It is conceivable that the difference in conditions *represented by the figures just given constitute proof that a solution of the problem of the railway and motor competition* which is applicable to Great Britain may have but little equity in Canada.

The Canadian Situation.

Consider for a moment the position of the owner of the private car. If we assume that this owner pays about $30 for his driving license and his car license and that he uses *about 400 gallons of gas a year to drive 6,000 miles, he will pay a gasoline tax of $24, making* his total contribution to the roads amount to $54, or nearly 1 cent per mile. Since the driver of the private automobile pays about 40 per cent more for his car because of Canadian tariff rates, this would mean that the driver of a car costing $1,500 and lasting five years pays an additional 2 cents per mile in the form of a general tax either to the Government, if he uses an imported car, or to support the automobile industry *of the country. Taxation, direct or indirect, levies a bill against the automobile driver* almost equivalent to the total fare charged by the railroad. It would seem then that the Government had not been particularly lenient with private automobile owners.

A second strong argument which can be brought out by the "good road" advocates is that since about nine-tenths of the tourists who visit Canada come by automobile, at least a certain proportion of the cost of the *roads of the country must be charged off to 'general business expense', since without good roads we could not hope to have as large* a number of tourists as we have at present. Tourist expenditures certainly add to the general wealth of the country, and general wealth must be taxed, to some extent, to provide the facilities necessary for the entertainment of these tourists. To the extent that we make the tourist pay hospital tax for his meals, and a gasoline tax, we are putting at least a part of the taxation directly upon the tourist. *Whether or not this proportion is adequate, it seems evident that it is not advisable to put a greater tax upon the tourists.* We cannot afford to drive them away.

The pleas submitted by the road-using agencies and the railroads to the Commission in Canada were not in such close harmony as those presented in England. The estimate made by the railroads of Canada's total expenditure for roads was very much larger than that submitted by other interested parties. It is difficult to determine which *set of statistics more closely approximates the facts. If the railroads' contention that* the motor car should pay the cost of the roadbed, maintenance and depreciation, is accepted, it is quite important that the total figure used be correct. There is a divergence of several hundred million in the different estimates as to the total cost of roads in Canada.

The Duff Report on Railways and Transportation in Canada.

In the Duff Report there is a most valuable study of the railroads and other means of transportation in Canada. It is shown that the truck and bus have absorbed approximately 7 per cent of the freight revenue of Canada, and that the bus now receives about 5 per cent of the passenger revenue of the country. No attempt has been made to estimate the loss of revenue to the railways from the private automobile. This last figure is probably not calculable. The Canadian railroads are in a desperate situation, they undoubtedly *need assistance. If the decision by the Commission tends to favour the railroads'* point of view it is undoubtedly because of the conditions of the railroads and the fact that their services are a fundamental necessity so far as Canada's industrial welfare is concerned. Among the significant statements found in the Report are those given in the following passage:—

"If the railways lose a large part of their profitable short distance traffic to the roads, a *readjustment of the whole freight rate structure may be necessary, with a possible increase in the rates charged for the long* distance and heavy freight traffic.

"It is essential that the country should have the free and unhampered use of the cheapest forms of transport and therefore no restrictions which would unfairly prejudice the road user should be imposed. The railways themselves should be empowered to provide and operate services of road vehicles, subject to whatever restrictions are *imposed upon other road transport operators. On the other hand, in our opinion, in Canada*

where of necessity freight must be conveyed in large quantities over long distances at all times of the year, railway transportation is essential to the economic welfare of the country. Because they are essential and because the railway freight rate structure implies conditions approximating to a quasi-monopoly, the railways require, if they are to continue to operate efficiently, a measure of protection from long distance road competition and an equalization of the conditions under which short distance traffic is carried.

"In our view the general principles upon which operators of road passenger services and common and contract carriers of freights should be regulated, are as follows:—

1. Schedules of rates and charges should be published.
2. Within those schedules common carriers of freight should accept and carry what is offered to them without discrimination between customers and commodities.
3. Operators should be insured against all risks, including third party risks.
4. Operators should keep accounts on a prescribed system and render returns to appropriate public authority on a common basis.
5. Minimum standards in regard to working conditions, including wages and hours of labour, should be required.
6. In the interests of the safety of the public, a standard of fitness should be required of all operators in regard to their vehicles.
7. Due regard should be had to the preservation of road surfaces, and, to this end, restrictions should be imposed upon the size and weight of road vehicles in accordance with the type and character of the highway.

"Furthermore, we consider that any joint inquiry that may be set up to examine this question should give serious attention to the institution throughout the Dominion of a uniform system of licensing (in addition to the existing licensing for revenue purposes) of road passenger service vehicles and motor vehicles used for the conveyance of freight whether operated as common carriers, contract carriers, or used exclusively for the conveyance of the freight of their owners. Under such a system it is suggested that a license should only be granted to common carriers of passengers and freight where it can be proved to the satisfaction of the licensing authority that the service rendered or proposed to be rendered, is in the public interest.

"As regards the taxation of road motor vehicles, the amount of such taxation, including the tax on gasoline, should reflect a fai proportion of the cost of providing and main taining the highways. A fair proportior would, in our opinion, be equivalent to two thirds of the total cost in respect of highway in urban areas, while in the more develope districts the proportion might be increased As to the distribution over the various classe of vehicles, it is suggested that the scales o taxation should be so adjusted as to fal with greater severity upon the heavy lon distance traffic."

Summary.

Under the present circumstances, the re commendations of the Duff Commission wit relation to competition between railroads an motor cars were a necessity. When busi ness again returns to normal it seems probabl that this whole question will have to be re viewed from new angles. It should be pos sible for the representatives of the railway and the representatives of the automobil interests and other users of the roads to fin a middle ground. Roads and railroads pla an entirely different part in Canadian life fro that which they play in the life of a mor thickly settled country. At least a part the cost of roads must be charged to th development of the country and to th tourist trade. With a more normal pri structure it should be possible to revise th whole basis of railway rates. The railwa have been asked to carry a good many com modities at cost or below cost. Railro rates should have a closer relationship to tr cost figures. Particularly on short ha the motor truck is the more efficient, and th less efficient medium must give way. I dustrial development demands the cheap and most efficient possible form of transport tion. Undue subsidies given to differe propositions should not be justified, either the case of railways or in that of the truck a motor bus. Expenditures for canals a subsidies to aeroplane transportation mu be viewed in this same impartial mann If we are to accept a capitalistic econon based on competition, the regulations whi we inject into the system must be utter impartial and fair to all competitors. is only in this manner that maximum effi ency may be achieved and maintained.

Notes from London.

Shipments to India.

London.—The particulars published of the Ottawa trade agreement between this country India indicated that the total value of goods now sent to India from the United Kingdom and which would benefit by the new preferences is £14,300,000. This estimate, however, did not include the value of our shipments to India which benefit from differential (as distinct from preferential) duties under the existing Indian tariff schedules.

The outstanding example of such differentiation is that of cotton piece-goods. The margin of advantage given to Lancashire as distinct from non-British shipments was first fixed at 5 per cent. and was increased soon after to 6¼ per cent. After the Ottawa Conference had begun and before its conclusions could be estimated the margin in favour of Lancashire was increased on the recommendation of the Indian Tariff Board to the high figure of 25 per cent. That is to say, whereas the duties on Lancashire cotton piece-goods are 25 per cent *ad valorem*, the duties on competitive goods from non-British sources have been raised to 50 per cent.

It cannot be said that this very wide margin is directly connected with the Ottawa discussions, as the main business of the Tariff Board was to shelter the Indian mill industry from the fierce blasts of Japanese competition. But the existence of this wide margin must be kept in mind in framing an estimate of the general advantages available to British manufacturers from inter-Imperial agreement. If the value of the Lancashire trade affected is added to the £14,300,000 already mentioned, the total of British export trade benefited reaches nearly £40,000,000. No calculation has been published of the value of Indian trade covered by the preferences given in the terms of the British tariff, but it is understood to be likely to attain almost exactly the same figure.

If a balance of advantage is struck it will be found that the difference is quite small. The benefit is mutual and reciprocal. It should be borne in mind that the whole question of the duties to be imposed on imported piece-goods still awaits the final report of the Indian Tariff Board, as provided by statutory arrangement. Action is not likely to be taken by the Government of India on that report before the end of March, 1933, when the existing duties are timed to expire.

One of the most serious obstacles to an understanding between the British and Indian delegations at Ottawa in regard to cotton piece-goods arose from the fact that Japan is the best oversea customer for Indian raw cotton which India grows in excess of her requirements. It would obviously be impolitic for India to exclude Japanese or other foreign piece-goods unless she was assured of a substantial share of the Empire market for her surplus raw cotton. This difficulty explains the terms of Article 8 of the agreement under which His Majesty's Government undertake to co-operate in any practical scheme for promoting the use of Indian cotton in the United Kingdom.

A great deal has already been done to this end both by the Indian Central Cotton Committee and by the Empire Cotton Growing Corporation. Moreover the Indian Trade Commissioner in London has kept in close touch with East Indian merchants in Liverpool and has done everything possible to further their efforts for an increased sale of East Indian cotton to Lancashire mills. The Liverpool Cotton Growing Association has also done its best to assist in this movement by facilitating the trade in Empire (including East Indian) cotton futures. It remains for the Lancashire spinners to show that they are in earnest in their desire to take over the trade which has hitherto been captured by Japan by buying more Indian cotton and thus showing that the Indian apprehension of loss of sales of Indian cotton abroad is baseless, and that reduction of the sale of Japanese piece-goods in India will not deprive her raw cotton of adequate oversea markets.

Iron and Steel.

The agreement reached in regard to iron and steel is of great importance. The continued free entry of Indian pig-iron and semi-finished steel in terms of the United Kingdom tariff is guaranteed by the British Government. On the other hand, the Government of India agree to alter their duties on galvanized sheets, which constitute by far the biggest single item in exports of iron and steel goods from this country to India. Such reciprocity, however, must be based on reciprocal agreement between the industrialists concerned; for if they were unable to come to agreement there would be no basis for the understanding between the two Governments.

It will be remembered that the Imperial Economic Committee recently recommended that steps should be taken to facilitate so far as possible the movement known as "Imperial industrial co-operation"—e.g., by agreements between industrialists of Empire countries for the division of markets on natural and economic lines. The report recognized that the less industrialized countries of the Empire are bound to increase their productive capacity in manufactures. The highly developed industrialized parts of the Empire must recognize and allow for these changes; their own progress depends on their achieving higher specialization affording them increased work in directions which do not compete with the products of the less advanced countries.

The arrangement whereby Indian sheet bars are imported into the United Kingdom free of duty and rolled for export to India, where they will have the benefit of a highly preferential tariff (Rs. 30 instead of Rs. 83-12-0 per ton) is a striking illustration of the modern tendency, and it is a matter for congratulation that the illustration is afforded by Great Britain's best customer. The arrangement is temporary as the Indian Tariff Board is inquiring, also under statutory provisions, into the whole position of the iron and steel industry, the duties in connection with which are due to expire from April 1. 1924. The continuance of protective arrangements and differential duties may be confidently expected. India is producing her own galvanized sheets and will extend her production of this commodity; but there is reason to expect that she will take from this country increasing quantities of the higher and finished types of iron and steel goods which she does not at present produce.

Changing Industrial Conditions.

Mr. T. D. Barlow's half-yearly address to the Manchester Chamber of Commerce contained many very apposite passages. While deploring the growth of economic nationalism he frankly declared that elimination of trade barriers and return to pre-war conditions were not adequate as a solution of the present position, for many factors had become operative in the last decade. Increased mechanization of industry had created technological unemployment, but the mechanization of agriculture had had even more far-reaching consequences and in his opinion would have created an agricultural crisis in any case, quite independently of the consequences of the War. Producers of food did not possess the same capacity as industrialists to change their output, and in these circumstances he was not surprised that many countries had turned to the development of secondary industries. From the point of view of the industrialist there were other factors. Mr. Barlow said that demand had become exceedingly capricious and was difficult to anticipate, which made planning ahead almost impossible. "Concurrently the enlargement of the scale of modern industrial enterprise has rendered it less flexible. At maximum momentum large-scale industry can undoubtedly produce a given commodity at low cost, but it cannot adapt itself to quick changes and it resists price adjustments, thus encouraging a perpetuation of discrepancies in price levels which has such disastrous consequences economically."

An Honour to a Banker.

A notable banking honour in the New Year Honours List was the baronetcy conferred upon Sir Ernest Musgrave Harvey, the Deputy Governor of the Bank of England. Sir Ernest Harvey has been identified with the Bank of England throughout his career, for he entered its service as far back as 1885. Throughout the arduous war years he held the position of chief cashier, the equivalent of the post of general manager in the commercial banks, and became comptroller of the Bank in 1925. Before his election to the position of deputy governor in 1928 that post had never been held by an official of the Bank. In the City Sir Ernest Harvey is deservedly popular for his sound judgment and his tactful conduct of his onerous duties have long been fully recognized. The services of the Bank of England to the State in the past year have been of a particularly noteworthy character, for as the Government bank the whole burden of the great conversion operations of 1932 fell upon its shoulders, and no better proof of the perennial youth of the "Old Lady" has ever been afforded than the manner in which it conducted those operations.

Cost of Public Services.

If the much-needed movement for securing economy in public expenditure is to have any practical results it will be necessary to find some way of conveying to the public the meaning of the figures that are presented to Parliament. Unfortunately, it is very seldom that one meets anyone to whom statistics are welcome, while to the great majority they are

almost meaningless. The type of mind that visualizes £30,000,000 as sixpence on the income-tax and £10,000,000 as one penny per pint on the beer consumed in the country is rare, but without such application of the bare facts the recital of figures is a very uninspiring exercise. It is a fair assumption that readers of this journal are quicker to see the meaning of figures than the general public, but even they may find it instructive to examine the details of certain expenditure as given recently in Parliament: assuredly they help to clarify the issue by directing attention to definite channels for the disposal of revenue that are quite familiar to all. The cost of education in England, Wales, and Scotland in 1930 was £104,298,000—the amount being raised partly from Parliamentary grants and partly from local rates and other receipts. Before the Burnham Award teachers took £16,000,000 a year, the present rate is £41,000,000, and the new pension scheme will cost an additional £9,000,000. Applying these figures to the case of the individual pupil it appears that in secondary schools education costs £14 16s. more per pupil than in 1912; teachers' salaries account for £10 1s., teachers' super-annuation £1, and the remaining £3 15s. covers all other costs including rent, rates, taxes, insurance, fuel, light, cleaning, books, repairs to buildings, and furniture. Towards this additional expenditure increase of fees contributes £2 per head. The Housing of the Working Classes Acts cost £35,598,000, of which £2,865,000 comes from local rates. In 1930 public expenditure called for by the Unemployment Insurance Acts, was £101,525,000; in addition the relief of the poor cost £44,953,000. The cost of the Army, Navy, and Air Forces for 1932-33 is only £87,000,000, so that it now costs the country far more to maintain its unemployed than to provide for its defence.

Education for Commerce.

The meeting in London of the International Society for Commercial Education directs attention to a subject of supreme importance to the nation. The endless discussions of every phase of training for commercial life leave many people a little bewildered. What does it all mean? Employers differ as to the type of education and training most suitable for a commerical career; educationists differ as to the essentials for success; parents are unable to get much guidance as to what they should do for their boys, and to-day find it very difficult indeed to discover openings of any kind that promise to provide congenial and lucrative employment.

Many efforts are being made to put the employer, the schoolmaster, the parent and the boy *en rapport*. But progress will be slow until it is widely recognized that the problem is manifold. The recruitment of the best type of young man for business with a view to ultimate leadership is one thing, the education of superior clerks another, and training in industrial technology a third. At present employers as a body are by no means alive to the need for the introduction of highly educated young men into business in order to provide creative leaders in the future; only those with wide outlook recognize the wisdom of making provision now for the requirements of ten years ahead. Most of them only think of attainments most desirable for immediate or early utility; they emphasize the importance of book-keeping, shorthand, and what are known as commercial subjects, and give promotion as occasion arises from the ranks of men thus recruited. Nobody denies that good book-keepers, correspondence clerks, and so on are necessary, but the qualities that make for success in these walks of life are not identical with those that are needed in leadership and creative capacities.

Rationalization, as Professor Bowie has pointed out, will make it more than ever necessary to find men of exceptional ability and capacity to direct the activities of vast organizations. One cannot help feeling that the urgency of introducing such men to business life before they drift into other occupations and of giving them the opportunity to fit themselves for responsible positions is not sufficiently recognized. It is an essential part of the reconstruction of the industrial and commercial system to provide the *personnel* to direct it in the future. There is not one problem but several to be solved, and vague generalities lead nowhere.

Empire Farmers' Tour.

The British National Union has in contemplation the organization of an Empire Farmers' Tour of the Union of South Africa and Southern Rhodesia during the early part of 1933. In the event of sufficient patronage being secured, and providing existing exchange difficulties assume more normal proportions, the party will leave Southampton about the middle of February and return early in May.

Diary of an Economist.

War Debts and Prices.

So much has been written on almost every phase of the War Debts problem that it may be thought difficult to find any aspect that has not been examined; but it is doubtful whether full weight has been attached to the effect that one-way payments must have on the course of commodity prices. It is agreed that the low level of world prices is having a disastrous influence on trade and it is generally recognized that it necessarily increases the incidence of taxation and of fixed charges on commercial enterprise. This is seen very clearly if instead of quoting these charges in monetary symbols they are measured in terms of commodities in everyday use; it then appears that a charge which a few years ago represented so many bushels of wheat or yards of cloth to-day represents many more bushels or yards, and, of course, a much larger part of the turnover of business. It is commonly said that the world is now suffering from over-production, though we prefer to regard it as under-consumption; but, however that may be, it is undeniable that surplus stocks are depressing prices and will continue to do so while the surplus remains in being, whether it be held in suspense or not. There is a tendency to overlook the fact that one effect of low prices on production is cumulative, since as prices fall every additional effort to make up the amount of fixed charges must increase production, while the pressure of necessity compels producers to sell at unremunerative prices. Naturally there is a limit to such efforts, and when in time they fail the collapse of the weaker producers will tend to reduce supply, but in the interval the evil results are mainfest.

Clearly, similar pressure to produce for export is felt by nations whose Governments have commitments abroad that can only be settled by payments abroad. Debtor nations striving to avoid default are thus driven to depress their standards of living in order to quote competitive prices, and the result is to lower the prices that more fortunate exporting countries can obtain. From this it is a short step to the imposition of higher duties in prosperous countries which seek to protect their home markets from the competition of those with lower standards, a process which necessarily intensifies competition in neutral markets and reduces the outlet for exportable goods. The fundamental fallacy is the belief that any nation can profit from the impoverishment of its neighbour. There is always a danger that any country which endeavours to maintain its standard of living far above the level in other countries with comparable advantages will lose a large part of its export trade—as the United States will find. It is indisputable that if the standard of living in every country could be raised by a stroke of the pen, the world's demand for commodities would be enormously increased and prices would rise, but it is equally true that prosperity cannot return to the world while so many nations are under an obligation to make heavy one-way payments and creditor nations endeavour to collect all that is due to them without regard to the lack of facilities at the disposal of the debtor.

The economic record of Great Britain for three-quarters of a century does nothing to disprove this contention; on the contrary it corroborates it, for though it is true that she has had a real credit balance, it is also true that that balance was not brought home but was invested abroad. Of late the value of Great Britain's investments abroad has been reduced by encashment during the War, by depreciation, and by default, but it was the creation of her strong creditor position by investment that enabled her to finance a favourable trade balance for so many years without embarrassment. It seems to us a demonstrable proposition that no nation can maintain a balance of trade on the credit side for any length of time unless it follows in Great Britain's footsteps in the matter of foreign investments. It does not follow that a credit balance which cannot be brought home represents waste of effort; the internal wealth of Great Britain has enormously increased during the period in which she has been building up her foreign investments; her active oversea trade kept her people in employment, foreign investment and export trade reacted on one another, and the amount left abroad year by year represented only a fraction of the nation's gains; the remainder was brought home and remains here in the form of capital improvements. Had the country endeavoured to collect and bring home all its profits it could never have built up its enormous trade and established its multifarious connexions abroad. It was unwise to allow agriculture and its ancillary industries

to decay, for the strength and safety of the nation lie in its people as well as in its power to produce, and foresight and prudence should have dictated that a much-larger part of the country's requirements in the way of food and raw materials should have been produced at home, but of the value of the export trade to Great Britain there can be no question, and the investment of capital abroad went hand in hand with it. The United States of America has yet to learn that trade cannot be one-sided; it must be of mutual advantage. Americans cannot escape from the dilemma that if they are to derive benefit from their oversea trade they must do their share towards promoting the prosperity and development of their foreign customers: otherwise they will be driven back upon their own resources and must seek prosperity through internal development alone.

SMALL UNDERTAKINGS.

In a letter to *The Times* Mr. Robert Hyde pointed out that this country is, however, still dependent upon the energy and enterprise of the small manufacturer. He quoted official figures to show that, while 97,463 factories employ from one to 25 persons, only 1,370 employ more than 500, and made the very apposite comment that the heads of the smaller concerns can best be assisted by the knowledge and experience of the successful efforts of those similarly placed rather than by the heads of concerns whose employees run into thousands. The experience of the Industrial Welfare-Society, he added, is always at the disposal of employers.

BANKING CHARGES TO TRADERS.

While containing some suggestions by which greater aid could be given by the banks to industry, the principal note sounded in the memorandum on bank charges drawn up by the Finance and Taxation Committee of the Association of British Chambers of Commerce is its recognition of the difficulties under which the banks labour and of the value to the country as a whole of the steadiness which the banks have displayed in the extraordinary difficulties which they have encountered. The memorandum also points out that the banks are themselves suffering from the trade depression and have incurred many bad debts. Reference has been made to the unwarranted character of some of the charges that have been levelled against the banks, and it is satisfactory to have this considered view of the matter from a representative commercial organization.

The committee, while stating that lower bank charges would assist industry and trade, make representations as to the desirability of the personality of borrowers being given greater weight, and suggest that this could be effected by the appointment of local boards of directors. There are, of course, many local boards in existence and it is to be presumed that the committee desire an extension of the system. Another point which is brought forward in the memorandum is the devising of means for granting long-dated advances to industry and particularly to the smaller manufacturing firms. Many manufacturers, it is contended, who possess sound business and desire to extend their works can make no successful appeal to the ordinary investor and as a result find themselves cramped through their inability to borrow even small amounts for long periods. This trouble is always felt most acutely in times when confidence is lacking, as at present. It is not the business of a bank, however, to furnish long-term capital for trade and industry. That is the business of the financing company, the professional capitalist, and the investor. There is, undoubtedly, scope for a new type of financing house which would lend relatively small sums of capital to assist the development of the smaller firms of good repute and record, themselves raising the necessary capital from the investor by issues of their own stock or shares.

CHEAPER BUILDING.

The Steel Structures Research Committee of the Department of Scientific and Industrial Research support the contention of experts that the present building methods in England entail considerable wastage and that there is frequently a needlessly high factor of safety. The recommendations made in the committee's first report should lead to great economies if they are carried into effect. For instance, at the present time large blocks of masonry are usually carried on costly, heavy steel girders. The committee, as a result of their technical investigations, hold that it is possible, safely, to avoid a considerable percentage of waste. Accordingly, a Code of Practice for the use of structural steel has been evolved, and is now being considered by a committee of the L.C.C. which is drafting a revision of the London Building Act. It is understood that the Ministry of Health will incorporate the code in the model bye-laws issued to local authorities. The committee has also investigated the welding of steel structures, and later, hope to be able to produce a similar code for the use of electric arc welding.

Economic Notes.

Foreign Capital in India.

Mr. Walchand Hirachand, President of the Federation of Indian Chambers of Commerce and Industry, commenting on the views of Sir Alfred Watson on the assurance of security for foreign capital in India, says that the Indian capital has been shy because of the absence of a definite industrial policy of the Government in this country. The British Government has been all along identifying itself with British capital and whatever protection that was vouchsafed to indigenous industries was half-hearted and insufficient to create confidence in the investing public. Some main industries are still controlled by Indian finance and Indian brains. The protection given to these industries is practically nullified by the Government's administrative actions such as appreciation of the rupee, the Ottawa agreement and sterling going off the gold standard. Given a fair treatment Indian industries will be able to stand a fair competition to the industries even of highly industrialized nations. India should not want foreign capital if her destiny is placed in her hands. The fact that the country could put forth on the market gold worth Rs. 1,058 millions is a sufficient indication of the extent of the capital that would be available to indigenous industry.

RAVAGES OF PRICKLY PEAR.

The annual report of the Prickly Pear Land Commission shows that the ravages of the pest have been definitely checked in Queensland and that millions of acres of valuable land have been reclaimed for production. "In 1923," the report states, "the prickly pear position in this State was regarded as being almost hopeless. Prickly pear was spreading at the rate of 800,000 acres per annum, land was going out of occupation, and the plight of many settlers was desperate. ....The Prickly Pear Land Commission took office in April, 1924....Working at high pressure, we had within a few years adjusted the terms and conditions of 11,000 land tenures throughout the pear belt......Within two years we were able to report that the onward march of the pear had been stopped. The biological campaign followed." The report proceeds:—Much, it is true, remains to be done, but eight years ago, when the Commission started out, even the most optimistic would not have dared to hope that, in so comparatively short a time and at so comparatively small an expenditure, such permanent results would have been achieved....Not only has a large portion of the State (tens of millions of acres) been saved from pear infestation, but even the lands that were formerly a wilderness of dense pear are now being occupied and developed for closer settlement. As much of this land is of good quality and handy to railway communication the advantages to the State will be enormous. Already 1,141,456 acres of land formerly densely infested and held as prickly pear leases have been made available and selected by 1,165 settlers, under closer settlement tenures subject to developmental conditions, while 725,667 acres of land once heavily infested have been re-selected by 95 persons as development grazing leases. In all these cases the pear has been sufficiently broken down to enable development work to proceed.

USE OF BANK CREDIT.

A laudable example of the manner in which the large banks endeavour in their monthly reviews to remove some of the fallacies which exist as to the function of banks and the connexion between banking and monetary practice and unemployment is provided by the article entitled "Unemployed Men, Unemployed Money" in the latest review of the *Westminster Bank*. It deals effectively with the vague idea entertained in some quarters that the trade depression is partly the result of bankers being unwilling to utilize millions of money at their disposal and gives a clear description of the manner in which banks employ the larger deposits which the public leave with them in times of depression. As the writer points out, this view of the bankers' responsibility for the crisis has succeeded the opinion long held by certain sections of the public that the depression would quickly disappear if banking credit were only available in sufficiently large quantity. Both ideas are unsound, and the latter has been effectively dispelled by the persistence of the depression in the face of expansion in banking resources. In explaining the manner in which bankers have used the larger deposits at their disposal, the article in the *Westminster Bank Review* quotes the Macmillan Report to the effect that the aim of a bank is to distribute its assets in the normal proportions, but it cannot at once expand advances to its customers, since it is dependent upon the volume

and quality of applications made by would-be borrowers. In the first place, therefore, a bank finds an outlet for its surplus cash either by lending money to the market or by buying bills or investments. That, of course, is what has been happening for many months past, and the *Westminster* is undoubtedly justified in stating that in so far as a recovery in the volume of industrial activity depends upon confidence that additional banking accommodation, if desired, is available, then there is certainly nothing in the present banking situation calculated to impede recovery. Monetary policy may have contributed to the crisis in that loans to support an unwarranted level of commodity and security prices were obtainable with too great facility from the banks, and particularly foreign banks, during the speculative orgy which culminated in the crash of 1929, but political rather than monetary considerations must be blamed for the tardy appearance of signs of recovery.

Weed-Killer Train.

The weed-killer train has now appeared, writes the *Pioneer*. It is an experiment by the London, Midland and Scottish Railway to keep the land on each side of the tracks free from weeds. The weed-killer train consists of an engine, a brake-van, and a wagon fitted with a large tank and a spray-pipe controlled by a man riding on the wagon. The tank is filled with chemical weed-killer. The train then runs along, the sprayers being turned on when required. An experimental weed-killer train used in the Birkenhead and Chester districts has a tank of 2,000 gallons capacity; another used in the Highlands has a capacity of about 6,000 gallons. Other experiments for keeping down weeds include the use of dry weed-killer, the apparatus consisting of a container carried on the operator's back, with the supply controlled by a bellows.

Europeans and Joint Electorates.

Mr. Beadon-Banks of Nagpur writes:—The European Association stands by Resolution 3, passed by the Conference held on August 25 and 26, 1930, *i.e.*, "that in the reconstruction of all legislatures adequate and effective representation of separate electorates shall be given to Muslims, other minorities and to Europeans." There can be no doubt that the time has arrived for the European Association to reconsider its position in the light of changes brought by the passing of time. Much water has flown down the Ganges since the 1930 resolution was passed and since circumstances alter cases, no hard and fast rule can prevail. Indeed, if "Muslims and other minorities" choose to accept "joint electorates" with reservations and preliminary elections, can Europeans afford to stand alone in glorious isolation? I retort that the official element may care to, but the non-official simply cannot afford to. There can be no two ways about this logical conclusion. Europeans in trade and commerce more than all others realize that the future of British trading connections in India depends entirely on the amount of friendship gathered round their interests, and that no amount of statutes and legislative provisions can provide for these results. There is no doubt the time has come for the European Association to review its decisions, and in conclusion, I affirm that Europeans in trade and commerce stand to win a great deal more by sensible expressions of sympathy than they will ever achieve by loose, inconsiderate and rampageous utterings. Which is it to be: Co-operation or glorious isolation?

The World Economic Crisis.

Examining the consequences of the world economic crisis an article in the December Number of the *Round Table* gives a number of interesting figures which convey an idea of the magnitude of the crisis. World imports and exports have fallen from 59,491 million dollars in 1929 to 34,479 millions in 1931. The fall has continued in 1932. The wholesale prices of commodities freely bought or sold in organized markets have dropped between 1929 and 1932 by 55 to 60 per cent. At March 31, 1932, the United States and France held $ 6,995,000,000 gold in their central banks out of total central bank gold reserves in the world of $ 11,236,000,000. The economic storm has led to an unprecedented growth of economic nationalism resulting in the imposition of numerous restrictions upon commerce. "The ground is littered with 'standstill agreements', exchange controls, increased tariff barriers, contingent and quota systems, import prohibitions, export bonuses, clearing and barter systems, etc., etc." These protective devices have, if anything, made matters worse. There is complete lack of confidence among depositors and investors throughout the world and liquid short-term balances fly from one country to another at a moment's notice. "No monetary centre now exists in the world in which there is unquestioned confidence." The economic crisis is ascribed by the writer to the last war and to the post-war policy of the leading nations.

He is of opinion that 'if we cannot forego the luxury of national hatreds, national distrusts and selfishness, then we must limit our prosperity and our standard of living to that which each nation, living more or less to itself, can achieve." But there are some nations which cannot be self-sufficing. Britain cannot live without international trade.

Christianity in India.

A tribute to the power of Christianity in India was paid by Lord Irwin, Minister of Education, speaking at the Indian Mission Convention of Newcastle. Christianity in India, he declared, had been immensely powerful. It had been the cause whence all the best movements in that country to-day had sprung. The further India went towards political development the more she would find it necessary to use the Christian sense of values. I wish we remembered more often how vitally our life depends upon finding that spiritual key that will unlock all doors. How much that would mean in our English industrial and domestic affairs. Round all the council tables where the world's statesmen sit to-day striving to solve international problems the greatest of all hopes is that they will find the key of that spiritual understanding that will remove all obstacles.

Britain's War Debt.

In a written reply to a question in Parliament regarding the British receipts and payments on account of reparations and war debts, Mr. Neville Chamberlain, Chancellor of the Exchequer, has given details showing that Britain's receipts in war debts amounted to £71.1 million and in reparations £121.3 million making a total of £192.4 million. Her payments to the United States on account of war debts amounted to £326.2 million, thus exceeding her total receipts from war debts and reparations by £133.8 million.

Railroads V. Motor Vehicles.

In practically all countries the burden of the depression is weighing so heavily upon the railroads that close attention is being turned to the competition between the railroads and motor vehicles. The Canadian Letter of this month gives some history of this competition, together with an account of the cost of the present taxation to the private automobile user, and a comparison of road and railroad conditions in Canada and Great Britain. It ought to prove interesting in India where competition between railroads and motor vehicles is increasing.

Expenditure on Indian Railways.

A bold, forward policy in respect of capital expenditure on Indian Railways is advocated in a leading article by the *Financial Times*, which says that the main justification for virtual suspension of it in the past three years has been the high interest rates. The pendulum has now swung back and it is difficult to envisage conditions under which India will be able to borrow on terms better calculated to ensure profitable investment. Investors both in India and Britain seek a safe outlet for surplus capital and heavy industries in both countries urgently need work. Orders would as far as possible be placed in India, but there still will be a wide range of goods which Britain could supply in the present circumstances at competitive prices. "This is an occasion," the paper adds, "on which a bold course may well prove in the end a path of prudence and true economy."

In a book called *Spies of the Great War* (John Long) Mr. Edwin T. Woodwill relates some remarkable stories in a chapter about the winged messengers. A little blue chequer hen, he writes, flew with a message of vital importance from behind the enemy lines a distance of a hundred and fifty miles in under four hours in spite of rain and storm! On the message was written—"Just trial fly bird. Am arrested—goodbye." Another bird flew fifty miles in as many minutes to bring assistance to a trawler that had been attacked by a submarine.

France erected a memorial to these little feathered heroes and heroines and even awarded certain birds the Legion of Honour. Scotland too remembered these soldiers' friends when the glorious war memorial was erected on the Edinburgh Castle rock. In addition to the pigeons the Scottish memorial commemorates the mice and canaries, whose little lives had to be sacrificed in testing the atmosphere of dug-outs and trenches often left filled with gas by a vacating enemy.

Topics in the Journals.

A B C of War Debts.

We take the following from a British contemporary. It sets out the current British view in simple fashion :—

1. *What are the War Debts?*—The war against *the Central Empires* was *fought* by many nations, some poor and some rich. Consequently the rich nations, chiefly Britain and America, had to provide the poorer ones with the means to fight. That is, they supplied food, ships, stores, and munitions to their friends. The value of these war goods taken at the fancy war prices were written down as formal War Debts.

2. *What Sums were Lent?*—Enormous sums were involved, because war prices were very high. We lent 515 million pounds to France, 455 millions to Italy, 568 *millions* to Russia, 97 *millions* to Belgium, 21 millions to Serbia and 194 millions to other States, a total of £1,850,000,000.

America lent 865 millions to us, 613 to France, 331 to Italy, 39 to Russia, 70 to Belgium, six to Serbia and to other States 59 millions, making a total of £1,984,000,000.

3. *Why did we Borrow from America?*—We borrowed from America only because we lent so *much to our Allies*. It will be seen from the above figures that we lent £1,850,000,000 while we borrowed *from America £866,000,000.* We did *not borrow* for ourselves at all.

4. *What are the Formal War Debts?*—After the war the war debts were formally written down in agreements of different sorts. Payment was arranged by instalments, repaying capital with interest over a period of about 60 years. Thus, if we take our War Debt to America the British Government entered into an agreement to pay instalments every *year until* 1988. The *yearly payment* we have agreed to make is about 38 millions.

The *millions* of *pounds* here *expressed refer* to the old Gold Pound, and not to the present Paper Pound. That is why although the half-yearly instalment due from us to America on December 15 is roundly £20,000,000 in gold, it represents about £29,000,000 in our paper pounds.

5. *Effect of War Prices.*—It is all important to remember that whereas what was lent by America was war goods supplied at fancy war figures, prices have fallen so *heavily since the* war that they are now only about half what they were when the war goods were supplied. The fall in prices means that we have, in effect, to repay twice as much as we borrowed.

6. *America Demands Gold.*—America has raised her tariff so greatly since the war that it has become very difficult to sell goods to her. Consequently she compels payment in gold. That is why the gold has gone to America which now has a store worth about 4,250 million dollars, which is about £1,300,000,000. It was this monopolising of gold by the United *States which caused the money* crisis and brought distress on all nations, including America herself.

7. *What are War Reparations?*—War Reparations is the name given to the damages demanded by the victor Powers from the defeated. Germany was at first asked to pay 6,600 millions, but this absurd figure had to be abandoned. In 1929, under the Young Plan, this sum was reduced to about a third *payable* in annual *instalments* of *principal* and interest ranging from 85 to 120 millions.

For some time Germany borrowed to pay Reparations, but, her borrowing power ceasing, she refused to pay more and at a special conference at Lausanne in June this year the victor Powers, in effect, agreed to cancel Reparations, demanding only a final small payment to be made if and when Germany can afford it.

8. *Connection of War Debts and Reparations.*—War Debts and War Reparations are inextricably bound up with each other. Ourselves and France both depend on the receipt of Reparations from Germany to pay War Debts to America. Therefore, when at Lausanne it was agreed to cancel Reparations we were deprived to the means to pay.

9. *The Balfour Note Policy.*—British War Debt policy has always been wise, generous, and clearly stated.

This policy was stated to America in the famous *Balfour Note of 1921, which stated* that the British policy was to cancel all War Debt and Reparation payments. The Note went on to say that if we could not secure international agreement upon this suggested all-round cancellation, *we would only ask from our debtors what was necessary to pay our creditors.*

It is also very important that this Balfour Note laid it down that the British Government could treat *the American War Debt only as one item in the entire* series of War Debts and Reparations.

Yet President Hoover now argues that War Debts and War Reparations are quite separate things although when Mr. Hoover suggested the suspension of war payments in 1931 he proposed a holiday, not for War Debts alone, but for War Reparations also.

10. *World Prosperity at Stake.*—Unfortunately the American people do not yet understand (although some of her wisest statesmen do understand) that it is the collection of War Debts and War Reparations *(mainly by America and France) which caused the* economic crisis and threw the whole world into distress. World trade became impossible when its currents were impeded by such demands for huge payments in gold as had never been known before. The American people fondly believe that they lent gold to their Allies and are being repaid what they lent.

In fact, as we have shown, they lent very dear goods and are demandeng payment in gold.

Any continued attempt by America to collect gold can only deepen world distress and thereby her own distress.

THE MORAL CASE.

But let us give the essence of the case from a moral point of view.

America came late into the war, and when she declared war in February 1917, she had no soldiers to send to Europe. She set to work to train an army, but that army did not take the field until almost the end of the war and it suffered comparatively few casualties. Thus America had the good fortune to escape with comparatively little loss of life.

What other part, then, did America take in the war?

The part she took was to furnish to her European friends war goods and war munitions to fight with.

In using these American war goods and war munitions French, British and other soldiers laid down their lives for the common cause. Thus we see that America is really very much indebted to the European nations who supplied soldiers to use her American war goods.

Morally, therefore, there is no debt whatever of the European Allies to America, but there is a very real *life debt* of America to her European Allies.

We cordially invite the American press to print these words, they are written in all friendliness to America and in the belief that the American people desire to see justice done.

U.S.A. and War Debts.

A New York correspondent writes explaining the American view :—

The American people as a whole are but little interested in the War Debts problem, if only because they do not know that they ought to be. Most of them have not the slightest notion that it is a problem. That is the greatest single difficulty in the way of a solution. When they talk about the debts at all—and outside of the East the debts are hardly ever discussed—it is usually in some flippant way. This is not because they are lacking in generosity, or in sympathy for other nations, but because they have always understood that the debt question was settled long ago when the debtor nations funded their obligations.

The excitement over the debts now—they do not bother to read the arguments—they attribute vaguely to a perfectly natural wish on the part of the debtor nations to pay no more than they have to. They think, quite honestly, that when their Government agreed to reduce its claims on the Allied countries to what these countries might be able to pay it erred, if anything, on the side of generosity. They are quite unaware, generally speaking, that the world fall of prices has made the debts more onerous than they were before. Beyond that they think that they are, temporarily, much worse off, economically, than the rest of the world and therefore in no position to do anything for other countries. They do not really know what all the excitement is about.

In the East the newspapers have been full of the discussion about the debts, but elsewhere in the country one rarely finds any editorial mention of them except in *ex parte* arguments. Intensely national as feeling is nowadays, the people are mainly concerned to know how long it is likely to be before the Eighteenth Amendment is repealed, whether beer will be "legalized" by a modification of the Volstead Act, what Congress is going to do about farm relief, whether there are to be new taxes this autumn, whether the Federal Government is really going to economize, what chance there is of balancing the Budget, and what is going to happen about other purely domestic questions. They are still obsessed with the belief that business recovery in this country has little or no connection with recovery abroad, that, at any rate, it can go on independently of what happens abroad ; and what seems important to them is only to find some way of dispelling fear among domestic consumers so that they will "loosen up" and buy goods again. They do not believe any longer that prosperity is "just around the corner," but they do believe that a very considerable amount of business could be added to what there is without anything changing except people's state of mind.

... lem, with no realization whatever that a crisis has developed which may result in a further fall of prices and contraction of trade throughout the world, the United States included, they are saving all their earnestness for domestic affairs. They are more cheerful than they were a few weeks ago, for they are relieved that the Presidential campaign is over. Politics are bad for business and Presidential campaigns are traditionally, if not always in fact, times of dull trade. They are somewhat puzzled by the failure of business to keep on with the expansion—seasonal though it was—which occurred in September and October, but they have little or no tendency to attribute the present ebbing of trade and the new fall of prices to anything but excessive caution on the part of their fellows, or, perhaps, to uncertainty about what Congress will do at the coming "lame duck" Session. The foreign debts question they are leaving to the politicians and the economists.

Of course, views like these are not held by the whole of the population, but they represent fairly well what most people think. There are, as might be expected, many thousands of persons in this country who are far better informed and who are, therefore, greatly concerned by the probability that Congress will pursue an unrelenting course with regard to the debts. But these people make up, at most, only a small minority.

Regulation of Road Transport.

Since the publication of the Salter Report putting forward proposals which were considered to be a fair basis of competition and division of function between rail and road transport of goods, opposition has steadily increased from the road transport interests. It is now clear, writes a correspondent in the "Times Trade Supplement," that any attempt to embody in the Act of Parliament the proposals unanimously made by the Salter Conference will be determinedly opposed.

At first it appeared likely that the main attack of the road transport interests would be directed against the proposals to increase the financial contribution of commercial vehicles to the cost of the highways. More recently opposition has also been shown to the portion of the Salter Report in which the conference dealt with the nature and extent of the regulations which, in view of modern economic developments, should be applied to goods transport by road and rail. The Road Haulage Association in a statement which it has submitted to the Minister of Transport, takes serious exception to the new licensing conditions proposed, the association holding that the recommendations of the Royal Commission on Transport go far enough in providing that applications for hauliers' licences need be considered only from the point of view of condition of the vehicle and wages and conditions of service. The proposal that existing transport facilities should be considered before hauliers' licences are granted is denounced, and the association holds that the refusal of a licence on the grounds of any excess in the existing transport facilities in so far as goods transport, is concerned is impracticable because the ebb and flow of goods traffic is a constantly varying factor. In respect of long distance traffic the journeys vary materially from day to day, and no licensing conditions could determine in advance the require-

ments of any section of the country. Objection is also taken to restriction to specified routes, the keeping of records, and the publication of haulage rates.

DRASTIC ACTION ABROAD.

While the opposition to the new charges which the Salter Report proposed for imposition on commercial road vehicles may possibly secure some modifications, the present indications are that much more difficulty will be experienced in obtaining alterations in the proposed regulation of road haulage. The competition between road and rail is a problem which has had to be faced throughout the world, and the Salter Conference when framing their recommendations had the advantage of knowing how it has been faced in other countries. Opponents of the recommendations may say that they have been framed in the interests of rail transport, but much greater bias against road transport has been shown abroad. The railways everywhere have suffered from the inroads on their traffic made by the development of road transport and very drastic action has been taken in some countries in order to preserve them from bankruptcy.

The proposed regulations for this country are mild compared with some of those imposed abroad. In Germany all road services carrying goods for reward for distances in excess of 50 kilometres must be licensed, and licences are granted only upon guarantees being furnished by the operator of the efficiency of the service to be provided. A uniform scale of charges is fixed by the Reich Minister of Transport. This scale is so arranged that charges for road and rail transport are on the same basis from the competitive point of view so that the structure of German railway freight rates, which is based on general economic considerations, shall not be endangered. Operators can be called on to produce for examination their books and accounts, which must be preserved for five years, and licences are liable to be forfeited in cases of failure to observe the conditions of operating and charging. In Hungary all regular road services carrying freight must be licensed except when operating wholly within any one municipal area. Licences are only granted if there is need for service and if existing transport undertakings will not suffer loss. The Minister of Commerce has power to make regulations placing the same obligations on road hauliers as apply to the railways.

PUBLIC AUCTION OF LICENCES.

In Roumania the working of public road services by mechanically propelled vehicles is controlled by an Act which makes this work a State monopoly except when the service is confined to one municipal area. The concession of the right of operating the various lines is put up to public auction, the maximum period of the licence being five years. Should the State Railways Administration or the Postal Telegraph and Telephone Administration participate in a tender either may claim the concession provided the amount tendered plus 5 per cent is higher than the next highest offer. The concessionaire has full monopoly rights for the duration of the concession. The road authorities are entitled to make a charge for the wear and tear of their roads. In Latvia when applications to run regular goods services are made the railway and postal authorities are advised, and if they object the decision is referred to a committee composed of the General Railway Direction, the Postal Authorities, and the Roads Department. The railway and postal authorities have prior claim to the concession at the figure offered at the time of application. In Lithuania the Minister of Communications decides the routes of public transport services for goods, taking into consideration the interests of the railways and other State interests. Owners of vehicles pay a tax for the use of the roads, while, in addition, owners of regular services on licensed routes pay industrial taxes for the use of the roads.

EMPIRE RESTRICTIONS.

In various parts of the Empire freight road transport is very strictly controlled. Australia has gone much beyond anything proposed by the Salter Conference. In Victoria one of the most interesting regulations authorizes the railways to charge higher rates to traders who do not forward all their goods by rail. This provision was enacted to restrict the discriminations made by road hauliers as to the traffic they carried. They were refusing the lower rated traffics, and consequently were undermining the principle of the scheme upon which railway rates were based. In this state the routes to be followed must be specified in the application for a licence, and the application may be refused if it is considered that the existing facilities are adequate. In New South Wales the State Transport (Co-ordination) Board have power to stipulate what conditions shall be applicable to a licence, including freights and charges, conditions as to whether goods only or goods of a special class shall be carried, and conditions under which conveyance shall be made, including the limiting of the quantity, weight, or bulk of the goods. In dealing with applications for licences the Board have to consider the suitability of the route or road, the extent to which the needs of the proposed areas are already adequately served, the extent to which the proposed service is necessary or desirable in the public interest, and the needs of the district as a whole in relation to traffic and the co-ordination of all forms of transport, including transport by rail. In addition to the prescribed fees for licences the Board are empowered to collect such sums as they may determine in respect of goods vehicles. In South Africa operators of all road freight services, except those working to and from a railway station, are required to obtain a licence, and no licence is granted if an alternative means of transport is available. Additional wharfage dues are levied in cases where an available rail service is not utilized by exporters or importers.

PROTECTING ARGENTINE RAILWAYS.

Far-reaching proposals have been made for dealing with road transport in Argentina. The superintendence of road transport is assigned to the National Railway Board. Road hauliers must obtain concessions to operate their vehicles, and the Board have the right of veto. In considering applications they are required to have regard to public requirements in the zone concerned and the possibility of providing the transport by established means or improvements in established arrangements. They have also to consider the necessity of safeguarding the present and future efficiency of existing transport facilities and of eliminating the superimposition of systems, in so far as it would be prejudicial to general economy. Road transport concerns are placed under the obligation to carry all freight which may be tendered to them, and not to accord preferential treatment. In the United States there is no regulation of inter-State freight road transport, but individual treatment have their own laws, some of which go far beyond anything in the Salter Report in the restriction imposed on road transport.

Recent Economic Publications.

Economic Conditions in Hyderabad State.

Vols. III, IV and V. By S. Kesava Iyengar, M.A., F.R.Econ.S., Special Officer for Economic Investigations. Government Central Press, Hyderabad, Deccan.

Three more volumes, the third, the fourth and the fifth, of the "Economic Investigations in the Hyderabad State," carried out by Prof. S. Kesava Iyengar, are now available to the public. These new volumes relate to the three districts of Warangal, Aurangabad and Raichur, and the plan of investigation followed with reference to them, is the same as that of the earlier enquiry. We have a description of the configuration of the districts, the means of communications available in them, the prevalent system of land tenure, the size of land holdings, the kinds of crops grown, the amount of debts and their character and the general conditions of social state and progress of the inhabitants. Detailed facts and figures have been given about 12 typical villages in each district, and the lines of development have been indicated.

Hyderabad is the premier Indian State and is characterized by largeness of size and the great variety of natural, social and economic conditions prevalent in it. Each district and each taluka has peculiarities of its own, but the general impression left on one's mind by the information compiled in the volumes is that the people of the State are, on the whole, yet unaffected by modern ideas of progress and industrialism, and that though the natural conditions surrounding them are not unfavourable, they are comparatively backward, communications are inadequate and unsatisfactory and that there is unlimited scope for development and progress. To a student of rural economics and sociology there is accessible, in the volumes under review, considerable material of special interest and it ought to stimulate the State Government to beneficent action. It is possible to mention a few facts to illustrate the statement made above. Take the Warangal district. In the 12 villages investigated, taken as a whole, the average land holding is not small, but we are told that in spite of this, there is monopolization accompanied by excessive fragmentation of land. Tanks of varying size are the chief strength of the district as a centre of production. The big tanks are generally in good condition, but a large number of medium-sized and small tanks have been in disrepair. The forest about the centre and the north is thin jungle containing little or no timber and serving as a source of an acute type of malaria. Extensive regions are waiting to be opened up for lack of communication facilities. Dry land tends more and more to pass into the hands of persons actually cultivating and wet land into the hands of non-cultivating persons. Tenancy contracts number 489 and 117 are landless tenants. In 117 of the tenancies rent is paid in kind, in 343 in money, in 29 partly in money and partly in kind. The wage level is low and wages are mostly paid in kind. Apart from coolies having freedom of contract and movement, there are *bhagelas* (serfs) maintained by every landholder. The co-operative department has as yet brought little relief to the district. The standard of life among raiyats is low and growing unhealthy in recent years. The numerous drink shops in every village are inconsistent with any scheme of progress. Most of the villagers drink tank water. There is not a single first class well in any of the twelve villages. Illiteracy is predominant, litigation is growing fast and there is no panchayat organization or spirit.

A much less depressing picture is presented by the Aurangabad district which has close contacts with British India and has been brought under outside modern influences. Most of the landholders belong to the middle and lower classes and land is not monopolized by a few, though landless families are not few. There is sufficient land for the population to maintain a good standard of life. There is no tank irrigation and private wells are in a good condition. Transfers of land to non-cultivating classes are noticeable. Little attention is being devoted by officials to co-operation and the promotion of industries. Communications are better than in other districts. Conditions in Raichur district which are described in volume five of the investigations, are also not bad. But between infertility and insufficiency of soil and rainfall respectively the raiyats there are under-fed. Milk supply is poor and fodder is scarce in many parts. General health is fair but expenses on drink and marriages are heavy. Tanks of which there are many, are in disuse on account of scarcity of rain. "It is an irony of fate that the population living in a doab fringed by two such big rivers is suffering so much on account of want of water for household and agricultural needs."

This is enough to give a fairly good idea of the valuable information which has been collected by Prof. Iyengar, and it is up to the government of H.E.H. to take steps to promote rural development for which there is so much immediate need and scope. The Government of the State deserves to be congratulated on having such an investigation made, and the next logical measure is obviously to take to heart the lessons to be derived from the information collected.

POONA, V. G. K.
7th February, 1933.

Socialist Planned Economy in the U.S.S.R.

Published by Messrs. Martin Lawrence, Ltd., London. Price 2s. net.

The existing economic system of Russia and its significance for the rest of the world has produced views, some of which are highly critical and sceptical about the future of Russia and some which are eulogistic and definitely certain of its success. There has recently been a change in the attitude of the outside world towards the Russian experiment. The tenor of outside comment is no longer so hostile or decisive and it is being recognized that the Russian economic system, in spite of its admitted defects, has come to stay. In such an atmosphere, therefore, the publication of "Socialist Planned Economy in the U.S.S.R." consisting of speeches of Soviet economists delivered at "The International Planned Economic Congress" held in Amsterdam in August 1931 and published by Martin Lawrence, Ltd., London, is quite opportune. S. L. Ronin's report on the working of the Five Year Plan without indicating the difficulties that the Plan had to contend against in such a country as Russia with its illiterate masses

and undeveloped means of communication, gives us some special reasons why the Soviet Union has developed American speed after the war, especially in the production of iron and steel, machinery, coal, and output of electrical energy. The abolition of inequality which has enabled the man lowest in station to the highest pole in the Russian political and economic system has been an active factor. The planning of the development of the productive forces of the society in the interests of the masses, especially in the form of regional planning, has liberated productivity from the fetters of private production and private competition. Kravel's paper on "Labour in the Planned Economy in the U.S.S.R." stresses only the bright side of the conditions of life under which labourers live in the U.S.S.R.; to a large extent the fact that the Five Year Plan in the majority of the branches of production has been fulfilled within four years has been due to the systematic rise in wages accompanied by a general improvement in the conditions of life under which labourers live such as a decrease in the working hours. Naturally in other countries such as the United States, Germany and England where there has been no such improvement in recent years in the wages of the working class as a whole, the labourers are watching the progress of the proletariat in Russia with great interest coming to believe in the virtues of the Planned Economy preferably by the State. In most capitalist countries we have proposal for economic advisory councils or economic missions for redressing the deficiencies and inequalities of the present system of production and this in part may be traced to the success of the Russian experiment. Gayster's paper on the development of agriculture in the U.S.S.R. is the least satisfactory because it gives us absolutely one-sided picture of the undeniable agricultural development in the present day Russia. As every one knows, though the nationalization of land has transformed millions of small strips of lands of the peasants into large land areas, the success of large scale collective farming is by no means uniform. To introduce planning in agriculture on a national scale large-scale agriculture became necessary and in the words of the author, "Nowhere are the advantages of the Plan so plain as in agriculture. Millions of toiling peasants have broken away tradition and from the limitations of small peasant production. Reliance on the vagaries of the market have been replaced by planned scientific direction."

Sufficient emphasis, it seems to us, has not been placed on the difficulties that confront the large-scale agriculture as a whole in the modern world. Even Russia which till 1931 was an oasis in the universal desert of depression and did not feel the effects of the present depression so keenly as the other countries in the world, is now confronted with a fall in the total value of her export trade due at once to the diminished production and diminished prices of agricultural commodities (*Vide Studies in Russian Economy*, published by The University of Birmingham). The inter-dependence of Soviet monopoly of foreign trade and Soviet Five Year Plan is not noticed in this book. An assured internal market for production in the country, an absence of competitive imports into the country because of Soviet restriction on imports into Russia and purchase of large-scale machinery at comparatively cheap prices by the State itself are no mean advantages and the effect of the Soviet monopoly of foreign trade, it seems to us, would be much greater in the future, when restrictions are imposed on exports from Russia in much larger measure than at present for the purpose of raising the standard of consumption in the country which is admitted to be rather low in all books on Russia written from both derisive and laudatory standpoints. That art, leisure and culture could flourish and ought to flourish in countries like Russia with its millions of toiling workers as well as in capitalist countries with its numbers of the idle rich in receipt of unearned incomes, has been amply demonstrated by the present-day Russia. Though there is slight mention of the credit injected by the State Bank of the U.S.S.R., the notable part which internal currency expansions and the foreign borrowings play in the financing of the imports of mechinery into Russia, is not adequately stressed in the book. (We may incidentally notice, however, that in the second Five Year Plan which has been inaugurated there would not be of much necessity for foreign borrowings, because a large part of the machinery necessary for production would be produced in the country itself.) Possibly it was outside the scope of the author's to outline the effects of the Russian economy on the outside world; we are therefore not given an estimate of the much exaggerated Soviet "dumping" on the foreign trade of capitalist countries. This by itself would require a small book. For the Soviet experiment is one of the *certain* forces in the future development of the world economy and the world trade, and the economic map of capitalist countries, assuming Russia progresses at the pace she has done—a large assumption if you will—would get altered and their articles of export get varied.

The book has unfortunately no index. We, however, would commend a perusal of this book by all students of modern public questions, in spite of some of its deficiencies.

M. K.

It is proposed by amending subsection (*e*) of section 51 of the Indian Railway Act to make it clear that the railway companies referred to in section 51 (one not a guaranteed Company) may own and operate unconditionally road motor services for the carriage of traffic in areas served by their railway. The exercise of these powers will, however, still be subject to the sanction of the Governor-General in Council being obtained in each case.

With a view to affording greater facilities to the large number of pilgrims from all over India going to the Tirupati hills, the Deccan Engineering Company of Poona have undertaken to construct and run a funicular railway to the Tirumalai hill from the Chandragiri railway station. They have commenced survey work and their engineers are camping on the hills in this connection. The estimated cost of this scheme is about Rs. 11½ lakhs.

Books in Brief.

Short Reviews of Recent Books.

The Punjab To-day.

Volumes I and II. By H. K. Trevaskis, M.A., O.B.E., F.R.E.S., I.C.S. (Rtd.). C. & M. Gazette Press, Lahore. Price Rs. 20.

These two volumes are devoted to an economic survey of the Punjab during the years 1890-1925. Mr. Trevaskis has seen service in the Punjab as I. G. of Registration and Director of Land Records and been a member of the Indian Economic Association. As author of the "Land of the Five Rivers", he has already tasted literary work. In these two volumes, he spread himself out in a fashion which only an author like him could do. In dealing with a serious subject he is not only serious but also—well, we will only say he simply lets himself go. He has politics, of a *most controversial kind, to deal with;* he has his own ideas of what is right and what is wrong and none can dispute that right: and he has a belief that when he holds forth, he has to be accepted as the final authority on almost every matter touching his discourse. He is aware of it all—that seems the comic part of the whole thing. When we say that Sir O'Dwyer is praised and Sir Maclagan is blamed—it would be putting the thing quite mildly. Of course, he has his right to do what he wants; but we suggest he should have some small regard for his readers.

These remarks, however, should not drive readers away from these heavy volumes. It is, subject always to the author's politics, a study of more than ephemeral interest: indeed the author wants us to treat it as a "reference" work. There is a great deal in it meriting attention from the latter point of view. Barring chapter I in the first volume, there is much in it which deserves to be brought under the latter head. In chapters II, III and IV, the author deals with the State and the Land, Land and Water, and the Gifts of Nature. In the second volume, we have chapters V and VI dealing with the People and the Land and the State and the People. These headings indicate the contents and show the lines on which the author has proceeded. In the final chapter, headed "Conclusion", we have the author's final words, in which he urges an overhauling of the prevailing system of land administration. It speaks to the versatility of the author that he should end his volume on a religious note. The following sentence is characteristic of the author's general style of writing. Writing of Christianity in India he says:—"The *Hindu* would (as Mr. Gandhi says) readily accord a similar recognition—recognition as a Prophet—did those who preach *Christianity make any attempt to put their* principles into practice." A work of interest to be read with forbearance where it trenches on politics and with zest where it deals with economics.

Indian Currency and Exchange.

By S. B. Sen Gupta, M.A., B.L., Principal, Khalsa College, Lyallpur. *Published* by R. S. Jaura, B.A., B.T., at the Students' Popular Depot, Kacheri Road, Lahore. Price Rs. 3.

This is an extremely useful book primarily devoted to the history and development of Indian Currency and Exchange. Principal Gupta has done well in *treating in chronological fashion* the history of the Indian Currency question. A more handy statement of the conclusions arrived at by the various Currency Committees and the conditions under which they came into existence we cannot think of, especially as the subject is one of great magnitude and considerable complexity. The author deserves praise for the clear enunciation of the fundamental facts affecting Currency and Exchange in India from time to time during the past half a century. In the two appendices at the end of the volume will be found briefly set out *the Government Scheme for a Gold Currency* and the average value of exports and imports of gold coins and bullion from 1900-1901 to 1929-30. These add to the value of the book.

Applied Economics.

By B. K. Sarkar, Hon. Professor of Economics, College of Engineering and Technology, Jadavpur, Calcutta. Published by Messrs. Chuckervertty Chatterjee & Co., 15, College Street, Calcutta, and sold by Messrs. B. G. Paul & Co., *Publishers,* Francis Joseph Street, Madras.

Those who are acquainted with the writings of Professor Benoy Kumar Sarkar know what to expect from his pen in the domain of applied economics. This volume fully sustains his reputation for careful investigation of tendencies and clear enunciation of principles of action. What should be the policy in India in the domain of economic well-being? That is the question he addresses himself to in this volume. The topics dealt with—control over foreign insurance companies, modern banking legislation as illustrated by the remaking of the Reichsbank and the Banque de France, Bank-Capitalism of Young Bengal, Railway Industry and Commerce in India, Rationalization in Indian Business Enterprise and World Crisis in its bearings on the regions of the second and first industrial revolutions—are all approached from the point of view of world-economy and international developments in economic legislation and statesmanship. Projected in several volumes, this volume is the first one to be issued now. Based on his *travels and investigations personally conducted,* the chapters included in this volume are of particular interest to economists in this country. Though not directly connected with India, there is much in it which is of indirect interest to Indian thinkers and writers, especially as we are to-day still in the formative stage. What economic policy is best from the country's point of view, having regard to its history, its resources, its requirements and its connections, political and other? To the solution of the problems raised by this seemingly simple question, *this volume affords the key.* That is why we think

that those interested in the material development of India on sound lines should read a volume of this suggestive type. Mr. Sarkar anticipates criticism and apologises for what may be considered the "speculative" character of his volume. He need not have done so, for the ground for acute thinking has to be prepared by thinkers and speculative writing has its value. As a matter of fact, Mr. Sarkar's volume is too "realistic" in its contents and make-up to deserve such criticism. A book to read and refer to again and again by publicists in this country.

Economics.

By W. J. Weston, M.A., B.Sc., Bar-at-Law, Head of the School of Commerce, The Polytechnic, London W.1. The Gregg Publishing Co. Ltd., Kern House 36-38, Kingsway, London W.C. 2.

This is an elementary text-book on Economics. For the learner, nothing more systematic could be recommended. There are no ready made opinions here for consumption. Mr. Weston's aim has been *rather to give the learner a wish to think on problems* affecting the material well-being of a nation. He sets down the requisite material for this purpose and draws out the student's views on them. Every lesson has an exercise attached to it, which ought *to set the student to think for himself.* What is most interesting in Mr. Weston's handling of the subject is the unconventional manner in which he treats it, though he is orthodox enough in the enunciation of both Theory and Practice. The practical character *of the treatment of topics ought to make* the volume specially valuable to laymen who desire to learn the rudiments of a great and complex subject. To teachers and students alike we would commend it for careful study. An index would add *to its value.*

National and Imperial Planning.

By Hamilton Verity. The Campfield Press, St. Albans, England. Price 6*d*.

This booklet urges the formation of "a United States of Greater Britain and India". The author states that a copy of it was sent by him to each *delegate to the Imperial Conference at Ottawa.* Its chapter headings ought to suffice to indicate its scope:—Introduction—India—An Imperial Senate—Imperial Services—Imperial Trading Relations—General Conclusions—Political Notes. Mr. Verity *deserves to be complimented on the serious thought* he has given to the subject. He thinks that the creation of an Imperial Senate would provide a solution for the government of India and would also later on furnish a "connecting link between the English-speaking *peoples and so a bulwark against a possible Asiatic* Federation". He thus suggests means for an union of the Anglo-American peoples. Mr. Verity is no admirer of the Statute of Westminster which has created independent nations. He urges for "real *Imperial unity" through an Imperial Senate,* "by which all the Imperial Services would be regulated by means of an Imperial Senate and be freed from the power of vested interests and party politics." Subject to that he would concede—he indeed says it *would open up a way for providing*—"a Federal form of government for India as regards her internal affairs with provincial elected Councils for local affairs." In his political notes, Mr. Verity urges the reduction of the income tax to 3*s*. in the £; suggests *a lowering of the death duties; a conversion* of the National Debt, the costs of all social services apart from war pensions being taken out of the Budget; and the placing of the total cost of Education on local taxation. All this does credit to Mr. Verity's heart, but how they would appeal to the heads of "political leaders" in England to whom he appeals, is more than we can say. Schemes of this kind are, however, indicators and they ought to be taken as representing what the man-in-the-street thinks *of the present situation—political, social and financial.* From that point of view Mr. Verity deserves praise and not undue criticism.

No More Reparations.

By Dr. G. E. Heinecke. Europress Company, 509, Fifth Avenue, New York City.

This is a translation of a German pamphlet on *the question of "Reparations", by a person who* had helped the German delegation to Paris in connection with the Young Plan negotiations. Dr. Ludwig Kastl, P.C., who writes a *Foreword* to it, urges "wide circulation" for it. Dr. Heinecke presents *actual conditions, figures and facts and shows how* the abolition of Reparations is a political and economic necessity in the interests of world well-being. Senator Borah contributes a striking *Introduction* to this edition of Dr. Heinecke's booklet *which he opens with this sentence:—"I can see no* recovery in Europe until reparations are cut out, eliminated in their entirety." He adds later: "If Europe cannot see her way clear to end reparations and drastically cut armaments, the United *States had better come out of Europe and stay out."* More than this there is in this book of facts and figures and we agree it deserves "a wide circulation".

Proceedings of the Canadian Political Science Association, 1930 and 1931.

C.P.S. Association, Ottawa.

Valuable papers on topical economic questions are included in these Proceedings which are well worth study. People in this country who desire to get into closer contact with Canadian affairs ought to study the *Proceedings* of this Association, perhaps the best of its kind working in the Dominions.

Depreciation in relation to Income-Tax.

By Gurumukh Singh. Published by the Arya-*bhushan Press, Bhamburda Peth, Poona City.* Price Rs. 3.

This little book explains in a simple and practical manner how the Depreciation record should be posted as required by the Income-Tax authorities. It is brief and concise *in its statement and intelligible* to a degree. He also suggests a revised form with notes for its posting.

Some Financial and Economic Problems of India.

By Dr. D. L. Dubey, M.A., Ph.D., Professor of Economics, Meerut College. Published by M. K. Ram, "Leader" Press, Allahabad. Price As. 12.

This is a selection of articles on economic and financial subjects contributed by the author from *time to time to the Public Press,* which is quite topical in character.

Among the more noteworthy matters dealt with are:—Agra Tenancy Legislation; debts of Government of India; Weston Committee and the Provin*cial Loan Account; Sterling Loans; Financial* Problem of Indian States; India and the World Trade

Depression; Burma's Resources; Board of Economic Enquiry; Government Borrowings; Provincial Finance; Indian Coastal Shipping Bill; and Foreign Banks in India. The wide range of subjects covered by the author indicate the interesting character of the volume. As for treatment of the topics, it may be remarked that they are dealt with in a manner at once lucid and convincing. Facts and figures are quoted and the position taken is backed by close reasoning which drives home the conclusions aimed at by the author.

Woman Labour in India.

By Rajani Kanta Das, M.Sc. Ph.D. Published by the International Labonr Office, Geneva.

This is a reprint from the *International Labour Review* for October and November, 1931. Those who have read our reviews of Mr. Das' writings know what to expect from his pen. The present contribution fully sustains his reputation for a lucid statement of statistical facts. Women labour in India is a subject of not only of interest but one of pressing interest. The I. L. O. was not a day too soon in urging its examination. Mr. Das' descriptive part apart—though excellent in itself—we are more concerned with the measures of reform he suggests for the elevation of the political, social and industrial status of women. A study of these is, in our opinion, a great desideratum in our publicists, if reform is to be made feasible. For this purpose, copies of this volume should be presented by the I. L. O. to at least every member of the Legislative Assembly and Legislative Council in India and in the Indian States, which have such assemblies and councils for the consideration of pressing public problems. An educative propaganda is highly necessary, if success is to be attained in this connection.

Sales of Land.

By Cyril P. K. Fazal, M.A., Assistant Secretary, Board of Economic Survey, Punjab. Price As. 6.

This is an illuminating work on Sales of Land between the notified agricultural tribes in the Punjab during the quinquennium 1922-23 and 1926-27. Mr. Calvert contributes a striking *Foreword* in which he points out that small owners are being bought out in the south-west districts and a further detailed inquiry is being made into this. But apart from this, the general result seems to be that most purchasers have bought less than two plots in the five years. He also suggests that there may be cases of large owners buying a number of plots, though he thinks this is not a marked feature in other districts. He also thinks that transfers of this type, permissible under the Punjab Alienation of Land Act and showing that some thrifty people are buying from their neighbours, are not a reflection on the Act itself. We agree in this interpretation of the figures but is it all evidence of thrift on the part of some only? What about the transferers?

5,000 Facts about Canada.

Published by Canadian Facts Publishing Co., 588, Huron Street, Toronto.

Since Ottawa, Canada has become famous in India. The edition of "5,000 Facts about Canada," for 1932, to which we would invite attention, contains a wealth of data, including the latest census returns of cities and towns over 10,000 population. The compiler, Frank Yeigh, the well-known Canadian publicist, meets a desideratum in this annual compendium of Canadian facts, truly "the Dominion *in a Nutshell*". Fifty chapters deal with every phase of Canadian national life in the most concrete form, giving a vivid impression of the progress or otherwise of the country. There is much to hearten the reader in its contents, in the striking contrasts made with previous years and chiefly when measured by 1900, showing a marked degree of progress in spite of seasonal fluctuations. Copies may be had at 35 cents each, from the Canadian Facts Publishing Co., 588, Huron St., Toronto. We look forward to the 1933 edition with interest.

Best Short Stories of India.

Volumes I and II. Selected and edited by Phyllis Atkinson, B.Sc. (Econ.) (Lond.).

These two volumes are made up of folk-lore tales taken from the *Indian Antiquary*. Brief notes have been added by way of elucidation. In a *Foreword*, Mr. Enthoven commends the volumes to the general reader. He quotes Sir Richard Temple's original remark about them that "a real grasp of each other's beliefs, customs and ceremonies tend to promote international harmony and to create a peace which will pass all present understanding." Dr. D. R. Bhandarkar in a notable *Preface* points out that tales of this kind enshrine a mass of valuable tradition relating to the early life of the people which is worthy of note. Dr. S. Krishnaswami Aiyangar contributes a learned *Introduction* urging a warm reception for the volumes, with which we cordially agree. To those who desire to know this country and its people, these volumes are an easy guide. Delightful to read, they ought to prove helpful to young and old in and out of India.

Mysore City.

By Constance E. Parsons.—The Oxford University Press, London and Bombay. Price Rs. 3.

This is an up-to-date guide book for Mysore City, beautifully printed and beautifully illustrated. Its chief merits are that it is self-sufficient, handy and informing. Visitors to Mysore—and they are daily increasing—cannot any longer complain of the need of a reliable book that could enable them "to do" the City by themselves. The authorities consulted in its preparation are many and the fact that all that is known of the City has been referred to and laid under contribution ought to make it welcome not only to the casual visitor, indigenous or overland, but also to serious students of local history. The very idea of bringing together within the compass of a readable little book, what is found scattered in a hundred volumes ought to be commended. The author has succeeded beyond measure in attaining her object. The many Appendices furnishing information about hotels, conveyances, churches shops, etc.; regulations relating to shooting and fishing in Mysore; rulers of Mysore; Dewans of Mysore; order of procession on Vijayadasami Day, etc., immensely add to the value of the publication. The Index and the Map (scale 3 inches=1 mile approximately) further enhance its value. Only one suggestion we would offer and that relates to its price. Volumes of this type, if they are to subserve their objects, ought to be priced as low as possible.

Simple Methods of Refining Oils.

Superintendent, Government Press, Madras. Price Annas 3.

Bulletin No. 36 of the Department of Industries, Madras, entitled "Simple Methods of Refining Oils" by A. K. Menon, B.A., F.C.S., Oil Chemist and Soap Expert and O. S. Menon, B.A., Chemical Assistant, Kerala Soap Institute, Calicut, states that so far, the following oils have been studied, *viz.*, groundnut oil, sesame oil, coconut oil, illipe oil (*mowah*), *margosa oil (neem)*, *punna oil (from the seeds of Calophyllum inophyllum)*, castor oil, hoongai oil (from the seeds of *Pongamia glabra*), dhupa fat (from the seeds of *Vateria indica*) and cashewnut shell oil. It would appear that some *simple methods of oil*-refining have been devised which can be adopted easily on a small scale in every household or on a larger scale by the oil-mongers and owners of country mills (*chekkus*) in the villages. Expensive machinery and elaborate chemical methods have, as far as possible, been avoided. Only simple chemical substances like quicklime, wood-ash, washing soda, caustic-soda, and water-glass, have been used in the experiments.

Lithium.

The Mineral Industry of the British Empire and Foreign Countries on Lithium issued by the Mineral Resources Department of the Imperial Institute deals with the natural sources of the metal, its preparation and uses, together with the world's production and marketing of Lithium minerals, in addition *to a description of their occurrence in both British* and foreign countries. The monograph states that a few discoveries of lithium-bearing minerals have been made in India, among which may be mentioned the two following:—In *Bihar and Orissa* lepidolite in scaly aggregates has been found in the pegmatites of Northern Hazaribagh, near the village of Pihra, one sample assaying 3.71 per cent of lithia; north of Bhuladi, and one mile south of Manimundar. At the last place masses were noticed up to 8 cwts. in weight. Of mineralogical interest are the occurrences of amblygonite and cookeite found with a little tourmaline, and associated with sapphires, near the village of Sumjam, in Padar, Zanskar, Kishtwar *tahsil*, Kashmir. It is not unlikely that further *search in the above or similar localities would lead* to the discovery of other lithium deposits.

The Doctor's After-Thoughts.

In the early part of the last century phlebotomy, or bleeding, was a remedy resorted to on every possible occasion. Doctors carried silver lancet cases about with them as they now carry cigarette cases. In those days, we are told by Sir James Crichton-Browne, the distinguished mental and nerve specialist, in "The Doctor's After-thoughts" (Benn, *7s. 6d.*), *there was a man in Edinburgh who made a pre*carious living by falling in fits on the pavement, thus eliciting the sympathy—and alms—of passers-by. He had suffered much, however, from the attentions of medical men called to his aid . . so he had a card printed in bold letters, which he carried in his bosom, and always took care to display when falling in the exercise of his vocation. This was the legend which it bore: "I am used to those fits. Don't bleed me, but give me a little whisky and water."

"It's of no Consequence."

As is only natural in a selection of jottings from a doctor's professional records, many of the stories have a medical flavour. In a provincial hospital again in the days *that are happily gone, the house* surgeon met the surgeon on his visit, and said: "Oh, sir, we made a terrible mistake in the case of that man yesterday! We amputated the wrong leg!"

"Ah, well," the surgeon replied, complacently, "It's of no consequence, for I have just been looking *at the other leg, and it's going to get better.*"

"Drunk Again."

An eminent physician of the past, who was of *somewhat convival habits*, was dining out one evening when he was urgently called to see a woman patient.

He made his way to her bedside and endeavoured to feel her pulse, but was quite unable to do so, and so, muttering to himself, "Drunk again", abruptly left the room. The next day he received from this lady patient a note, enclosing a liberal fee and begging earnestly that he would say nothing to any member of her family of the discovery he had made the previous evening.

"Take it Away".

After the discovery of Rontgen rays in 1895, one of Sir James's friends, Alan A. Camphell Swinton, had a photograph taken of his hand, displaying every bone distinctly. He brought it to his club, and Lord Crawford asked if he might show it to the Prince of Wales (afterwards King Edward VII), who was coming later. When he did so, the Prince, no doubt a little startled by its skeletonic suggestiveness exclaimed: "How disgusting! Take it away!"

The Farmer and the Doctor.

A doctor in a country town, summoned to see a farmer, said to him:—

"Of course, I have come as you have called me, but I understood you were a patient of So-and-so," naming another practitioner. "Yes," the farmer replied, "he was my doctor, but I'm no goin' to hae him again, as he made a great mistake in my case. He said I had gastritis; now we havna gas in the house, and I have never been in a gasworks *in my life. He gaed for wrang.*"

A Faraday Story.

It is surprising to find Sir James gaily talking about people he met in the early sixties—until one remembers that he was born ninety-three years ago! He even remembers shaking hands with Michael Faraday, and tells an amusing story of this great chemist and pioneer of electricity. At an inquiry into the cause of a colliery disaster, Faraday asked the local mine inspector the method of measuring the *rate at which air flowed through the mine. He* was then shown how they dropped a pinch of gunpowder through the flame of a candle, measuring the time the smoke took to travel a certain distance.

Faraday asked where they kept the gunpowder, and they replied, "In a bag, which was tied up." "And where" demanded Faraday, "do you keep that bag?" "You are sitting on it," was the inspector's reply. "We thought it would make a nice soft seat, and so had a cover made for it, and you are sitting on it."

Current Comment.

By "Scrutator".

The visits to Delhi by the Round Tablers ended in nothing. That was to be expected. Lord Willingdon was not to blame if those who went to see him fondly hoped to secure "boons". Such boons are not secured by visits arranged for in advance. Lord Willingdon is wedded to views about the Congress which could not spell a dispassionate survey of the situation. One like him, with one like Sir Harry Haig at his elbow, cannot think of even an honourable compromise with the Congress. That point on which certain of the Round Tablers—purely political-minded Round Tablers—banked was lost. The disillusionment has, as the events show, ended in the open protests that Sir Tej Bahadur Sapru has entered against the Willingdon policy. The Hoare promises have ended in non-fulfilment and the Willingdon policy still holds the ground. The changed outlook is due not so much to Congress activities as to the general unwillingness on the part of the upholders of the "strong hand" in the Willingdon Cabinet who are out to crush the Congress. The Home Government have, for the moment, kept cool. But there is no knowing what may occur by April next. If Willingdon goes—whether for this or that reason—his policy will be dead as Queen Anne and a new chapter will open in the history of Indo-British relations. The English may be Chauvinists but they are also practical; they have no compunction in giving up policies that don't pay. Their outlook is that of the genuine merchant who is anxious to sell even at a loss, sometimes, for that would be the surest way to win through a difficult period.

* * *

Would the life of the Assembly be extended? That is another question that has been agitating certain Assembly Round Tablers. Lord Willingdon evidently has given no hope on this head. That was sad disappointment. One gentleman was recently found to utter the remark that he had succeeded in the last elections despite Congress picketing! He is thinking of picketing and dreaming of it, too, at the very mention of the dissolution of the Assembly. Spectres of pickets haunt him, though the Congress is in jail and those that remain out have still a programme to carry through—if we are to judge from recent events. Lord Willingdon has failed to come up to the expectations of the Assembly Round Tablers, but the fact should not be forgotten that he has some ideas of meeting their wishes in regard to their representation on the Joint Select Committee. This fact should enable us to correctly judge the value to be attached to the labours of this particular lot of Round Tablers, whether in or out of the Assembly.

* * *

Despite the protests of Indian politicians and British merchants, the salary cut has been halved. That shows the strength of the Civil Service. *Somebody said recently in Bengal* that there is no salvation for this country until the Civil Service was provincialized and placed under the local governments. There is not only sense in this suggestion but also high politics. The *do ut des* principle which guides the Civil Service in India has to be broken down, if it is to *serve* India in a *civil* manner in the interests of *India*. The policy of something for something is bad enough in ordinary life. In the administration of country, it creates—despite its 'vaunted' and even undoubted merits—a caste that is difficult to subjugate. Vested rights are created and they are difficult to kill. Patriotism that underlies all service in and for a country ceases to possess any value, where the service is foreign and is *Indian* in nothing more than in its name. This is one of the matters that will deserve attention from almost the first day a truly national government holds sway in India. Experts may be required but that is a different matter. They may be paid for even at heavy rates; but they should be recruited for specific reasons and specific purposes and should be retired immediately their work is accomplished. The Civil Service should be both Indian in recruitment and name. "Indianization is a necessity—political and financial—as much in the Civil as in the Military Departments in India." This is a fundamental fact; and unless it is fully and fairly grasped the reduction of expenditure in India is impossible. And people in India—I mean the masses—will have to go with half a loaf or without any until the financial load is taken off their backs. For this, the first step is Indianization of the services and the absolute restriction of foreign recruitment to the barest limits possible. A programme of a settled kind is necessary in this matter if India is to progress on stable lines. That

is the lesson to be learnt from the restoration of the "salary cut". Will Indian and Anglo-Indian merchants learn it or forget it? Public opinion will not be heard unless there is a definite demand for its being heard. Where the Anglo-Indian fails is when he gives *up his opinions* quickly to look innocent in the eyes of his own countrymen who hold charge of the destinies of this country. He has yet to learn the meaning of the policy enunciated half a century back by Allan O. Hume, Wedderburn and Cotton. That day the Anglo-Indian merchant comes to believe in India and makes its interests his own, that very idea his salvation will have come. Safeguards would not be necessary in that case. That is what the Mahatma has been saying and that is what the average Anglo-Indian fails to take note of.

* * *

The Meerut trial is over and communism should have been, to all intents and purposes, killed in India with the conviction of most of the accused. The London Press opinions have been practically unanimous in condemning the protracted character of the trial and the heavy sentences passed. If ideas can be tried, here was a trial for posterity to ponder. But if Congress which stands for an idea can be sought to be crushed, why should the Meerut accused who stand for another be not tried, even at tremendous cost, and sent to prison? One point of interest to note is that the men had been practically in prison for at least four years and Wedgewood Benn had said, when he presided over the India Office, that that fact would be taken into consideration in passing the final sentences. That point has yet to be cleared. If they have been, then the sentences actually passed should be reckoned worse than they actually are. The *Times* has referred to the "procedure of the Indian Criminal Courts" in this connection. But it writes in ignorance. There is nothing wrong with the procedure as such; but it was the idea of punishing opinion—an idea, if you will—that has perverted a perfectly sound procedure. That procedure never reckoned with the curious belief that political opposition in doctrine can be killed by it. But that is the very purpose to which it has been put, albeit by the Government under the legal advice of a well-known British Barrister who is now no more. If he had lived to hear of the *Times* protest, he would have doubtless protested against the *Times*! That even the great *Times* can go wrong is only too true.

Another point worthy of remark in this connection is the length of period the accused had to be in prison before their guilt was actually adjudged. Should such a prolongation of the trial be allowed further? There should be a limit—set by the Legislature—for proving a case. The essential difference between furnishing evidence in legal affairs and evidence in other domains of human activity is that in the former there is a limit set to it to suit the practical needs of a given situation. Where the case is one of the kind typified by the Meerut trial, it seems necessary to set a limit to the time within which the Crown could prove its case. Where it cannot do so within the limit prescribed, there should be a provision in law which can help the Judge to discharge the accused. It is no defence to say that the accused protracted the case. Normally they would; rather they are bound to. The Crown has to prove its case; that is fundamental. If it cannot, the Crown fails, as it ought to. The truth of the matter is that the case had to be prolonged because it rested not on the solid foundation that the men were guilty of criminal acts against the State but that they were—according to the evidence furnished—Communists. Belief and not overt act was being prosecuted against by the Crown and the delay could not be avoided in a case like that. The *Manchester Guardian* hit the right nail on the head when it said: "To magnify the activities of such persons with a grandiloquent charge of subverting the authority of the King-Emperor, is chiefly evidence of a capacity to see spectres in the night."

* * *

The Temple Entry question is now one not for dispute or debate. It has reached a stage from where, whether you like it or no, it has to go forward, if not to-day at least to-morrow or the day after. Those who fight for orthodoxy do not yet realize they are playing the game of divide and rule. There is danger there; if Hindus are one and if the Harijans are Hindus, then let it be made known that that is so. Let not the Legislature be authorized to put obstacles in the way of the realization of that oneness. The end of all legislation in this domain is to remove the artificial obstacles placed in the way of this objective. If you scan Pandit Malaviya's correspondence with the Mahatma, you will see that he is not against Temple Entry as such but against using the Legislature in the social and religious domains. There is force

in the Pandit's view, but in this particular case, the Mahatma is correct in his attitude. It is but just that where the Legislature has assumed a jurisdiction in one set of circumstances, should divest itself of it in another—especially where the exercise of such jurisdiction is manifestly unjust, if not illegal. The Government of India may delay. The legislative procedure may help such delay but the day is not far distant where the desired goal will be reached. That being so, the inevitable result will follow. The Mahatma's next move will show it, if only he gets an opportunity.

* * *

Sir Harry Haig's poser in the Assembly is fast affording one to the Mahatma. Sir Harry's lugubrious answers would not prove so surprising, if they did not envisage clear confusion in the Willingdon Cabinet ranks. If the Congress can speak for itself, and it can technically to-day, why should not its leaders foregather? If, again, the Congress is a legal organization, why should its assembly be prohibited? Can you impute a wrong, before the wrong is canvassed or committed? Worse than all, why anticipate events and talk so cocksurely of men and things? Do you want a settlement or not? Or do you fear one and if so why? Apart from all this, why should the Assembly Members be so anxious to know the mind of Government? Is there any special objective to be served by these questions and answers? *If you want* the Mahatma's views, give him the opportunity to declare them and you will have it in succinct terms. That is what the Government should do and that what the Members should urge on the Government to do. Non-Co-operation is dead, say the Government. But they are afraid of their statement. If it is dead, why trouble about it and keep all these people in jail? It might be revived? Well, that is always so. The fact that the few that have come out, have not again done so, does not prove the suggestion that they are tired of it. That it is both wrong and foolish to think so, is perhaps realized. Non-Co-operation is bound to continue until the Government of India is made to realize the justice of the plea that India wants to be a self-respecting Nation and a Nation too that will not allow itself to be dictated to. If Government here and in England co-operate with the Nationalists on rational lines, Non-Co-operation will automatically cease. Non-Co-operation is intended, in a word, to secure Governmental co-operation with India—with Indian aims and aspirations towards the realization of the higher life in this country. Why should Britons fight against it and non-co-operate with such a noble plea seems difficult to understand. Verily there is truth in the saying of the Mahatma, "I am dying for co-operation from Government"—only they don't see the force of his appeal. But the light is coming to them. "It is easier for the camel to pass through the eye of a needle than for the rich man to enter the Kingdom of God," said Jesus. The rich Britisher cannot understand that great saying of the Great Prophet of Nazareth but if Lancashire is any sign in a matter like this, the time will soon arrive when he will be compelled to do so.

* * *

As we go to Press, the Railway Budget has been presented. The debate on it was both timely and effective. But the position is not capable of rectification until the idea that Railways are the preserve of particular classes of people is done away with as both politically pernicious and financially ruinous. The third class passenger received a little attention, for which thanks. Mr. Joshi made a telling point when he pointed out that every third class berth means an outlay of Rs. 206 and an annual revenue of Rs. 241, while a first class berth means an outlay of Rs. 4,000 and a return of but Rs. 500 per annum. The third class man pays for the *convenience of the first class swell. Sir Joseph* Bhore was good so far as he went, especially in his sweet promises. But why did he forget the third class man so badly as he did? The third class fares have been raised beyond recognition. Still the loss is set down at Rs. 80 crores! Surely the force of reason—higher fares means less traffic—will have to be soon recognized even by the Railway Board. The problem deserves closer consideration that it has so far received. A policy that will prove not merely productive to Government but also to the people—a sound national policy—is what is eminently required.

"Æ," the Irish Poet, writing in the *Irish Times*, asks the question what are national ideals and answers it thus: "I confess I do not know, unless it may be the desire for unfettered independence, which I am not certain in my soul to be as worthy an ideal as the ideal of a world state of universal brotherhood."

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